

Franklin School  
Cost-Benefit Analysis

*prepared for*

DC Office of Planning and Economic Development

*Preliminary Draft, July 10, 2002*

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Mr. Scott Barkan  
Special Assistant, Office of Deputy Mayor  
For Planning and Economic Development  
1350 Pennsylvania Avenue, NW Suite 317  
Washington, DC 20004

## ***RE: Franklin School Cost-Benefit Analysis***

Dear Scott:

This analysis compares the potential economic return to the District of Columbia of various use options proposed by the District for the Franklin School. While the indicated property values and possible financial returns are based on prevailing market assumptions, this analysis is *not* an appraisal, nor a definitive estimate of prospective highest and best use offers. The goal of this analysis has been to aggregate the myriad of inputs and parameters particular to different redevelopment scenarios into a comparative model suitable for scaling and contrasting the relative economic impacts of differing uses. In deciding its ultimate course of action, the District of Columbia will weigh these results along with issues of historic preservation, policy preferences and legal considerations that are outside the charge of this analysis.

The tasks completed as part of the financial analysis include:

1. Scenario Review and Market Data Analysis – Six principal use scenarios provided by the District of Columbia Office of Planning and Economic Development, including three subset variations, were reviewed in formulating appropriate baseline data.
2. Financial Projections and Property Income – A standardized cash flow model was developed for comparing the potential net present values covering a hypothetical 50 year ground lease investment period. Alternatives of initial property sale/purchase were also evaluated.
3. Fiscal / Economic Impact – The impact of each development scenario on potential District tax revenues, including property, income, sales and other local taxes, along with other economic benefits, such as job creation and the associated spin off benefits, have been assessed.
4. Summary – The collective results of the financial, economic and other risk related implications are summarized in a cost-benefit matrix contrasting each of the alternatives.

The Franklin School is a unique historic landmark that represents a dynamic income opportunity for the District. While this study suggests a possible ranking of economic benefits to the District from different uses, it is our opinion that no amount of analysis can project or substitute for the one-of-kind price bid that this property could generate.

Sincerely,

Eric Smart,  
Principal

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## **FRANKLIN SCHOOL FINANCIAL COST-BENEFIT ANALYSIS**

### **Executive Summary**

#### **Assignment**

Bolan Smart Associates (BSA) was engaged by the District of Columbia Office of the Deputy Mayor For Planning and Economic Development (DCOPED) to compare the potential economic return to the District of Columbia of various use options for the Franklin School. Under DCOPED direction and review, different use scenarios were refined from previous work entitled Conceptual Architectural Reuse Analysis, April 2002, completed by the historical architectural firm of Fetterman Associates and architectural historian, Tanya Edwards Beauchamp.

#### **Building Background**

The Fetterman report details the rich and significant history of the Benjamin Franklin School, which was designated a National Historic Landmark in 1996. Any exterior modifications or additions are subject to extensive review and approval procedures, with similar oversight of the building's interior pending historic designation as well. From an economic standpoint, the historical character of this property is clearly a part of its distinctive value.

The exterior of the property was restored in 1990, and is reportedly in excellent condition but for normal maintenance requirements. The building is comprised of a partially below grade basement, three floors of class room space featuring 15 foot ceiling heights, and a fourth floor partial attic. A "Great Hall" is located in the middle of the third floor, originally spanning 34 feet in height to the top of the attic level. Dual large staircases are major defining elements of the interior. For purposes of the economic analysis, it is assumed that the integrity of the original floorplan will need to be largely maintained in any reuse scenario.

## **Neighborhood**

The Franklin School represents the last significant underused property fronting on Franklin Square, one of the most transformed locations in the City over the past 15 years. The neighborhood is at the centerpoint of the CBD, and while in an office dominant immediate setting, is proximate to the Logan Circle residential neighborhoods north of Massachusetts Avenue as well as the new Washington Convention Center.

## **Use Options**

As currently built, the property offers windowline on four sides, including prominent street corner frontage. Per the possible floorplans illustrated in the Fetterman study, a variety of land uses can presumably be accommodated, albeit with varying degrees of historic impact. While there is no parking present, it is assumed that ten spaces could be added by excavating and decking (and replicating) the courtyard. The use options evaluated include:

- Private Office
- Government Office
- Residential
- Hotel
- Educational
- Cultural

While the examined land uses attempt to collar a range of prospects, they are by no means representative of all options or combinations. Retail was specifically excluded based on improbable market and historic compatibilities, but might still be functional for special purpose users. Embassy use, or other institutional uses, might also qualify. Two related observations include: (a) that the building, at more or less 30,000 rentable square feet, is too small and ill-configured for mixing uses effectively, and (b) that almost all of the building's attributes point to a possible premium for use by a single entity rather than being divided among multiple users.

Fetterman Associates estimates construction costs per gross floor area will be equivalent or greater than would be the case for new construction. The net effect is that the cost per rentable square foot will end up higher than in a new building due to less efficiently serviced and less optimally designed end space, again, compared with comparable new construction.

### **Principal Sources /Assumptions**

1. *use scenarios* – DCOPED and Fetterman Associates.
2. *building exterior configuration* – DCOPED, Fetterman Associates and Bolan Smart Associates, adjusted to assume no exterior additions to the building except possible decking of existing side/rear courtyard. (Larger permitted building may generate higher returns, but assumed to be generally proportional for all use scenarios.)
3. *functional building area* – Fetterman Associates and Bolan Smart Associates, adjusted to reflect the assumption of no exterior additions. (Note that the rentable or useable space estimates are not based on actual measurements, and should only be viewed as illustrative within a range of possible square footages.)
4. *construction costing* – Fetterman Associates for use related finished area, with 14,000 gross square feet of support / attic space adjusted by Bolan Smart Associates (and based on discussion with Fetterman Associates) to reflect minimal finish spaces that are common to all use scenarios (i.e. unfinished attic structural space, basement utility room, other infrastructure support space). Educational use construction costs assumed equivalent to office.
5. *income and expenses* – Assumed average market inputs for new office, premium pricing for residential and hotel uses. Educational use assumptions based on student occupancy standards and school financing underwriting criteria. Cultural use income and expenses will vary widely depending on many unknown use variables; assume reasonable proforma inputs predicated on building being largely donated for cultural use.
6. *financing* – Second quarter 2002 Korpacz Real Estate Investor Survey; other market sources adjusted to reflect building and market conditions. For assumed non-profit uses, such as Government office occupancy, educational and cultural use, debt costs are adjusted downward, as are required returns on sponsor provided funds (indicated as needed to cover initial year cash flow deficits).
7. *cash flow analysis* – (a) 50 year ground lease; and (b) value if initially purchased based on land residual computation; end of investment term property value use generated income capitalized at 11%; all pre-occupancy costs included in delivery cost; year 1 stabilized occupancy; investment analysis pre-tax.

8. *public inducements* – Federal historic tax credits @ 17% of base construction cost (credit sale netting 85% of full 20% allowance of full development cost); cultural use and District occupancy tax exempt debt; no other development contributions.
9. *transferable development rights (TDRs)* – TDR use presumes two conditions: (1) that a leasehold interest could sell such ground lease rights; and (2) more fundamentally, that municipal zoning assigning excess development rights could be achieved for the site in the first place. While the combined lot provisions and historic preservation components of the DC Municipal Regulations suggest that the actual number of TDRs may vary, depending on ultimate use configuration, each use scenario would conceivably have a similar base number of TDRs given the building's low FAR as currently developed. After discussion with DCOPED, and given both the similar base count of potential TDRs, were they to be made available, and their limited current market value, the potential value of selling any TDRs has not been considered in this analysis.
10. *economic impact* – unless noted, assumed 100% net gain to District.
11. *discount rates* – market based for private investors; measured at between 8% and 12% for valuing cashflows to the District of Columbia. A lower District discount rate is conceivable, and would cause ground lease returns to register as considerably higher, but have not been adopted in this analysis due to: (a) possibility of subordination of ground lease; and (b) range of other near term (construction) through long term (market use and efficiency) uncertainties regarding different ground lease options.

### **Summary Table**

Table ESI: Cost-Benefit Summary represents an abbreviated version of Table CBI: Cost-Benefit Analysis found in Tab 1, and provides comparisons between scenarios. More detailed synopsis of use scenario inputs are included under report Tabs 2 through 7 for each respective land use.

***Project Description (lines 1 – 9):*** The top portion of Table ESI outlines comparative development cost, income and financing assumptions that combine in a discounted cash flow analysis to illustrate the kind of property values the Franklin School, in its as is condition, could potentially support.

***DC Direct Property Income (lines 10 – 15):*** The net present value (NPV) produced by a discounted cash flow analysis illustrates what the District could earn (or an investor/sponsor could afford to pay) under either a ground lease scenario or under outright sale. When there is positive net income, a potential Annual Ground Lease is assessed as a percentage of net income which generally renders the investor/sponsor a break-even cashflow within the third year of operation. The NPV to District of the ground lease is then discounted at between 8.0% and 12.0%, depending on the relative level of risk of the subject land use. In estimating the price an investor/sponsor could pay to purchase the property (Initial Property Sale), there is no ground lease, and the equivalent retained net income, plus the residual value of the property at the end of an assumed 50-year investment period, is discounted to a net present value using investor/sponsor market based discount rates. The Highest Value Opportunity Cost comparison contrasts the highest indicated direct return from the property with the respective alternative land uses. It should be noted that a negative value (such as for hotel) indicates where the implied income after costs is also negative, meaning that an investor would need to find additional funding subsidies to offset project losses.

***Other DC Tax Revenues and Job Benefits (lines 16 – 21):*** These benefit items outline both the Project Direct Tax Revenues, such as real estate taxes, sales taxes and resident occupancy income taxes, with DC Resident Jobs income tax revenues derived from ongoing employment associated with the different land uses. Project multipliers based on jobs generated are factored into these benefits as well. DC Recurring Annual DC Revenue tallies together the estimated ongoing tax revenues with the property income under both ground lease and initial property sale deal structures.

***Total District Revenue NPV (lines 22 – 26):*** The combined NPV of the income stream generated by the property, capture of one-time revenues associated with construction, and recurring tax revenues are contrasted for both ground lease and initial sale scenarios.

***Additional Comments (lines 27 – 31):*** This portion of the table provides some narrative account of Possible Sale Premiums, contrasts of magnitude of overall Economic Impact, and a brief account of the main factors underlying the Revenue Differentials between the different use scenarios.



**TABLE ES1: FRANKLIN SCHOOL COST-BENEFIT SUMMARY (\$2002) -- Concept A, No Upper Level Exterior Modifications**

	Office - Private		Office - Govt		Residential - no adu		Residential - with adu		Hotel		School		Cultural	
1) <b>Project Description</b>	29,500 rsf		29,500 rsf		27 units		27 units		32 rooms		29,500 rsf		29,500 rsf	
2)					0.00% mod. income		20.00% mod. income				250 students		350 visits / day	
3) Total Delivery Costs	\$306 / rsf		\$306 / rsf		\$312 / rsf		\$312 / rsf		\$372,577 / room		\$34,831 / student		\$465 / rsf	
4) Implied Property Value Including Land	\$414 / rsf		\$456 / rsf		\$409 / rsf		\$373 / rsf		\$302,158 / room		\$319 / rsf		\$471 / rsf	
5) Gross Revenue	\$48.00 / rsf per yr		\$35.00 / rsf per yr		\$3.40 / rsf per mon		\$3.07 / rsf per mon		\$293 revpar&rest.		\$1,200 net per student		\$11.75 / visit	
6)	rate	amount	rate	amount	rate	amount	rate	amount	rate	amount	rate	amount	rate	amount
7) Debt (net of land)	7.00%	75.00%	5.50%	100.00%	7.00%	75.00%	7.00%	75.00%	7.00%	60.00%	5.50%	83.00%	5.50%	83.00%
8) Fed Historic Tax Credits (net proceeds)		17.00%		0.00%		17.00%		17.00%		17.00%		17.00%		17.00%
9) Other Required Equity (net of land)	12.00%	8.00%		0.00%	12.50%	8.00%	12.50%	8.00%	18.00%	23.00%		0.00%		0.00%
10) <b>DC Income With Ground Lease</b>														
11) Year 3 Annual Ground Lease	\$286,892		\$71,433		\$236,435		\$213,487		\$0		\$10,924		\$0	
12) NPV to Govt (50 year)	8.00%	\$4,732,804	8.00%	\$4,422,135	10.00%	\$2,922,801	10.00%	\$2,634,147	12.00%	\$51,045	12.00%	\$124,070	12.00%	\$36,791
13) Highest Value Opportunity Cost	\$0		(\$310,669)		(\$1,810,003)		(\$2,098,656)		(\$4,681,759)		(\$4,608,734)		(\$4,696,012)	
14) <b>DC Income With Initial Property Sale</b>	12.00%	\$3,174,226	NA		12.50%	\$2,425,367	12.50%	\$1,528,076	18.00%	(\$2,253,427)	5.50%	\$702,466	5.50%	\$176,416
15) Highest Value Opportunity Cost	\$0		NA		(\$748,859)		(\$1,646,150)		(\$5,427,653)		(\$2,471,760)		(\$2,997,810)	
16) <b>Annual Project Direct DC Tax Revenues</b>	\$268,174		\$0		\$382,522		\$346,336		\$471,416		\$133,240		\$244,986	
17) <b>New Project Related DC Resident Jobs</b>	30		0		10		10		17		8		9	
18) New FTE Jobs DC Income Tax	\$171,636		\$0		\$32,756		\$32,756		\$54,363		\$32,539		\$33,040	
19) <b>Total Recurring Annual DC Revenue</b>														
20) With Ground Lease	\$726,703		\$71,433		\$651,713		\$592,580		\$525,778		\$176,703		\$278,026	
21) With Initial Property Sale	\$439,811		NA		\$415,278		\$379,093		\$525,778		\$165,779		\$278,026	
22) <b>Total District Revenue NPV</b>														
23) With Ground Lease	8.00%	\$10,558,546	8.00%	\$4,550,243	10.00%	\$7,376,469	10.00%	\$6,725,960	12.00%	\$2,491,397	12.00%	\$2,212,066	12.00%	\$2,481,020
24) Highest Value Opportunity Cost	\$0		(\$6,008,304)		(\$3,182,077)		(\$3,832,587)		(\$8,067,149)		(\$8,346,480)		(\$8,077,526)	
25) With Initial Property Sale	8.00%	\$8,999,969	NA		10.00%	\$6,879,036	10.00%	\$5,619,888	12.00%	\$2,491,397	12.00%	\$2,212,066	12.00%	\$2,657,437
26) Highest Value Opportunity Cost	\$0		NA		(\$2,120,933)		(\$3,380,080)		(\$6,508,571)		(\$6,787,903)		(\$6,342,532)	
27) <b>Possible Sale Premiums</b>	possible +50% single user sale (\$4.5mill)		NA		15% premium for condos = \$4million		10% premium for condos = \$2.5million		too small for profile impact brands		limited premium for special building		possible premium for special building	
28) <b>Economic Impact</b>	assume 20% net city resident job gain		none due to existing DC relocation		moderate, too small to impact neighborhood		moderate, too small to impact neighborhood		large impact if net gain of city visitors		limited impact unless net gain of residents		large impact if net gain of city visitors	
29) <b>Principal DC Revenue Differentials</b>	big job generator		no net employment		new resident taxes		new resident taxes		big tax generator		limited direct taxes		limited direct taxes	
30)	highest RE tax rate		no taxes		lower RE tax rate		lower RE tax rate		moderate job gain		limited indirect taxes		induced visitor impact	
31)	lowest income risk		low income risk		medium income risk		medium income risk		higher income risk		undetermined risks		undetermined risks	

Source: Bolan Smart Associates

## **TAB 1**

## Financial Cost-Benefit Analysis

### **Consolidated Tables Computations**

*Table CBI: Cost-Benefit Analysis* provides more detail regarding income and revenue computations while still facilitating some comparison between use scenarios. The indicated inputs and calculations are drawn from three to five tables for each use alternative catalogued under Tabs 2-7. The subset tables are generally organized as follows:

*Table Use1: Economic Impact Summary*

*Table Use2: Annual Direct Local Tax Revenue* (Not included for Government Office)

*Table Use3: Employment Related District Income Tax Impact*

*Table Use4: Cash Flow Analysis – With Ground Lease*

*Table Use5: Cash Flow Analysis – Without Ground Lease* (Initial Property Sale) Not included for hotel or cultural uses, for which negative or little initial property value is indicated. Cultural use has a supplemental *Table C5: Other Patron Related Local Tax Revenue* included to illustrate possible induced visitor economic

In addition to expanded detail, *Table CBI* includes line items for one-time District revenue associated with *Construction Employment* / *DC Resident Income Tax* plus possible *Recordation* and other *Development Related Fees*.

### **Selected Inputs**

***Discounted Cash Flow Analysis (for estimating property income):*** Using the assumption of a 50 year ground lease (short by most market standards), the typical manner for valuing the mix of uses based on capitalizing a stabilized income stream is rendered impractical. Capitalization rates, typically based on a combination of interest rates, inflation rates, tax factors and assumptions concerning residual values, cannot be normally applied where the termination of the ground lease is early enough to have a material effect, even if minor, on the residual calculation, as in the case with a 50 year ground lease term. Alternatively, it is necessary to see that all debt and equity self amortize well before the end of the investment limit and to discount the remaining cash flows for the entire period in order to estimate a present value of the income

stream or asset component. This method has been used in this analysis to compare the implied value of the development alternatives, solving for what the underlying land value might be under the various development programs, adjustments and financial assumptions.

The selection of discount rates for determining the present value of a stream of ground rent income is also affected by whether the ground lease position is subordinated or not, and whether the lease is for a fixed rate or includes some form of cash flow participation. The private sector recipient of a fully subordinated ground rent would normally discount the potential ground rent at or near equity yield rates (12% to 15% on fixed rents and running higher on a participating basis). The same private sector recipient of an unsubordinated ground lease revenue stream is likely to require a considerably lower yield, say 8% to 10% for a fixed ground rent. Conversely, a lessee with unsubordinated ground rent lease obligations will discount the cash flow needed to support the ground lease at a much higher rate than when the ground rent is subordinated.

For analysis purposes in this study we have assumed that ground rent would be subordinated to all other debt and equity requirements. Nonetheless, the District Government is in the position to discount whatever ground lease income it receives at its own investment discount rate, suggested in this analysis at between 8% and 12% reflecting varied degrees of assumed market risks (lowest risk for proven office uses, medium risk for residential, and higher relative risk for hotel, cultural and educational uses). Although this is generally lower than that which would apply in the private market, it is not unreasonable to assess from the government's perspective, particularly since the alternative base case regarding the subject property is for no redevelopment to occur or for an outright sale to be consummated. (Readers are reminded that applying the government discount rate to estimate a present value for a long-term income stream usually makes this income stream look much more valuable than it would were the same income stream to be valued in the private sector.)

***Private Investment Risk Factors:*** There are three components of risk specific to the subject property that act to push up required yields over conventional market norms for like uses in normal investment grade situations.

- Small project.
- The historic nature and requirements of the property add development expense and limit future use flexibility when compared to normal market driven development options.

- Government participation, directly or indirectly, invariably reduces the number of interested private investors and adds unavoidable uncertainties associated with project development and operating assumptions.

**Required Yields:** Generally speaking, financing and equity yields for the office and residential market are priced below that for hotel. In the past year required equity yields have been moving in different directions for different product types. While economic conditions and competition amongst lenders has generally driven down debt yields, underwriting in many instances had been getting tighter. The prognosis for the next few years is that further downward pressure on yields may be a technical impossibility. More salient to the subject property is that relative to standard investment grade financing opportunities the premium yields required to support the perceived risks of the subject investment may be substantial.

**Real Estate Assessment and Taxes:** For analytical purposes, we have assumed the indicated improved project valuation (probable assessment) is related to the combination of delivery cost of the leasehold improvements and estimated initial property value as supported by the project's income. Private land uses are taxed at what would be their respective applicable DC property tax rate for future delivery, with non-profit ownership being treated as tax exempt. (Regarding real estate related taxes, it should be noted that no costs are shown in this analysis to cover the nominal assessment on commercial properties used to fund the Downtown Business Improvement District (BID), which are bundled together under "Other Use Taxes".)

**Tax Revenue Capitalization:** For recurring annual tax revenues we have applied a capitalization rate, equivalent to the selected DC discount rate, to present value the future revenue stream.

**TABLE CB1: FRANKLIN SCHOOL FINANCIAL COST-BENEFIT ANALYSIS (\$2002) -- Concept A, No Upper Level Exterior Modifications**

1) Project Description 2) 3) 4)  5) Project Costs and Income 6) Base Bldg & Basic Tenant Fit Up Costs 7) Support / Attic 8) Total Delivery Costs 9) Implied Property Value Including Land  10) Gross Revenue 11) Vacancy / Lease Up Costs 12) Operating Costs 13) Capital Reserves   14) Debt (net of land) 15) Federal Historic Tax Credits (net proceeds) 16) Other Required Equity (net of land)  17) Year 3 Annual Ground Lease 18) NPV to Govt of Ground Lease (50 year)  19) Initial Prop Value Without Grnd Lease  20) Annual Direct Local Tax Revenues 21) Real Estate Tax (incl. initial prop. value) 22) New DC Resident Income Tax 23) Employee Related Sales Tax 24) Transient Accommodations Tax 25) Patron Related Direct Sales Tax 26) Personal Property Tax 27) Other Use Taxes, Fees and Bus. Revenues 28) Additional Overnight Stay Related 29) Other Patron Related Sales Tax 30) Total Annual Direct Taxes  31) Employment 32) Total Permanent New FTE Jobs 33) Total Base Construction FTE Jobs  34) Employment Related Income Tax 35) Total Permanent FTE Jobs 36) Total Base Construction FTE Jobs  37) Other One-time District Revenue 38) Recordation Fees 39) Development Fees & Permits  40) Total Recurring Annual DC Revenue 41) With Ground Lease (lines 26,31,34) 42) Without Ground Lease (lines 26, 31)  43) Total District Revenue NPV 44) With Grnd Lease (Ins 42 capped,18,32,38,39) 45) Without Grnd Lease (42 capped,19,32,38,39)	Office - Private Rental		Office - Government		Residential - no adu		Residential - with adu		Hotel Use		Educational - School		Cultural					
	O1-O5	53,716 gsf 29,500 rsf	D1-D3	53,716 gsf 29,500 rsf	R1-R5	53,716 gsf 27 units 0.00% mod. income 928 rsf per apt.	R1-R5	53,716 gsf 27 units 20.00% mod. income 928 rsf per apt.	H1-H4	53,716 gsf 32 rooms	E1-E5	53,716 gsf 29,500 rsf 250 students	C1-C5	53,716 gsf 29,500 rsf patrons 350 visits / day 127,750 visits / year				
	\$160 / gsf	\$6,354,560	\$160 / gsf	\$6,354,560	\$126 / gsf	\$5,004,216	\$126 / gsf	\$5,004,216	\$204 / gsf	\$8,102,064	\$160 / gsf	\$6,354,560	\$205 / gsf	\$8,141,780				
	\$100 / gsf	\$1,400,000	\$100 / gsf	\$1,400,000	\$100 / gsf	\$1,400,000	\$100 / gsf	\$1,400,000	\$100 / gsf	\$1,400,000	\$100 / gsf	\$1,400,000	\$100 / gsf	\$1,400,000				
	\$306 / rsf	\$9,025,472	\$306 / rsf	\$9,025,472	##### / unit	\$7,810,059	##### / unit	\$7,810,059	##### / room	\$11,922,477	\$34,831 / student	\$8,707,744	\$465 / rsf	\$13,713,047				
	\$414 / rsf	\$12,199,698	\$456 / rsf	\$13,447,607	##### / unit	\$10,235,427	##### / unit	\$9,338,135	##### / room	\$9,669,050	\$319 / rsf	\$9,410,210	\$471 / rsf	\$13,889,463				
	\$48.00 / rsf		\$35.00 / rsf		\$3.40 / rsf mkt. rent		\$3.07 / rsf mkt. rent		\$293 revpar&rest.		\$1,200 net per studt		\$11.75 / visit					
	9.00% of revenue		5.00% of revenue		5.00% vacancy loss		5.00% vacancy loss		75.00% occupancy				\$0.00 / rsf					
	\$14.00 / rsf		\$8.00 / rsf		\$9.00 / rsf		\$9.00 / rsf		78.00% of revenue				\$20.00 / rsf					
	\$1.00 / rsf		\$1.00 / rsf		\$1.00 / rsf		\$1.00 / rsf		4.00% of revenue				\$3.50 / rsf					
amount	rate	amount	rate	amount	rate	amount	rate	amount	rate	amount	rate	amount	rate					
75.00%	7.00%	#####	5.50%	75.00%	7.00%	75.00%	7.00%	60.00%	7.00%	83.00%	5.50%	83.00%	5.50%					
17.00%		0.00%		17.00%		17.00%		17.00%		17.00%		17.00%						
8.00%	12.00%	0.00%		8.00%	12.50%	8.00%	12.50%	23.00%	18.00%	0.00%		0.00%						
21.40% of rev	\$286,892		\$71,433	23.40% of rev	\$236,435	23.40% of rev	\$213,487	0.00% of rev	\$0	3.50% of rev	\$10,924	0.00% of rev	\$0					
8.00%	\$4,732,804	8.00%	\$4,422,135	10.00%	\$2,922,801	10.00%	\$2,634,147	12.00%	\$51,045	12.00%	\$124,070	12.00%	\$36,791					
to invstr	12.00%	\$3,174,226	NA	to invstr	12.50%	\$2,425,367	to invstr	12.50%	\$1,528,076	to invstr	18.00%	(\$2,253,427)	to spons	5.50%	\$702,466	to spons	5.50%	\$176,416
		\$225,694	\$0		\$98,260		\$89,646		\$178,877		assumed exempt		assumed exempt					
	\$0	\$0	\$0		\$221,405		\$199,915		\$0		\$0		\$0					
	\$21,025	\$0	\$191		\$0		\$191		\$3,387		\$2,800		\$2,056					
	\$0	\$0	\$0		\$0		\$0		\$211,291		\$0		\$0					
	\$0	\$0	\$47,129		\$0		\$42,555		\$20,000		\$111,690	\$3.75 / visit	\$33,534					
	included in other	\$0	\$0		\$0		\$0		\$27,200		assumed exempt		assumed exempt					
	\$21,455	\$0	\$15,537		\$0		\$14,029		\$30,660		\$18,750		\$590					
	\$0	\$0	\$0		\$0		\$0		\$0		\$0	5.0% of patron:	\$208,806					
	\$0	\$0	\$0		\$0		\$0		\$0		\$0		\$0					
	\$268,174	\$0	\$382,522		\$346,336		\$471,416		\$133,240		\$244,986							
DC Jobs	DC Residents	DC Jobs	DC Residents	DC Jobs	DC Residents	DC Jobs	DC Residents	DC Jobs	DC Residents	DC Jobs	DC Residents	DC Jobs	DC Residents					
161	18.33%	30	0	42	24.81%	10	42	24.81%	10	64	27.25%	17	31	25.00%	8	39	23.33%	9
128	27.16%	35	128	27.16%	35	101	27.16%	27	101	27.16%	44	128	27.16%	35	164	27.16%	45	
	Income Tax		Income Tax		Income Tax		Income Tax		Income Tax		Income Tax		Income Tax					
	\$171,636	\$0	\$32,756		\$32,756		\$54,363		\$32,539		\$33,040							
	\$128,108	\$128,108	\$100,885		\$100,885		\$163,338		\$128,108		\$164,138							
	\$150,000	assumed exempt	\$0		\$150,000		\$150,000		\$150,000	assumed exempt	\$0	assumed exempt	\$0					
	\$50,000	assumed exempt	\$0		\$50,000		\$50,000		\$50,000	assumed exempt	\$0	assumed exempt	\$0					
	\$726,703	\$71,433	\$651,713		\$592,580		\$525,778		\$176,703		\$278,026							
	\$439,811	\$0	\$415,278		\$379,093		\$525,778		\$165,779		\$278,026							
	8.00% cap	\$10,558,546	8.00% discount	\$4,550,243	10.00% cap	\$7,376,469	10.00% cap	\$6,725,960	12.00% cap	\$2,491,397	12.00% cap	\$2,212,066	12.00% cap	\$2,481,020				
	8.00% cap	\$8,999,969	NA	10.00% cap	\$6,879,036	10.00% cap	\$5,619,888	12.00% cap	\$2,491,397	12.00% cap	\$2,212,066	12.00% cap	\$2,657,437					

Source: Bolan Smart Associates

## **TAB 2**

## Office Use – Private Market Lease

### Market Feasibility

- a) Solid office location, K Street profile.
- b) Corner building, park views.
- c) Signature building stature.
- d) Lots of alternative market choices for space requirements of less than 30,000 to 50,000 rsf, but building should compete well.
- e) Comparable \$2002 full service rents in range of mid \$40s to low \$50s for premier Class A space.
- f) Downtown DC office vacancy rates may rise moderately near term, but with little downward rent movement projected.
- g) Less than market standard space efficiency for building offset by premium building character.
- h) Limited on-site parking reduces rent potential nominally.
- i) Small size and historic features contribute to higher than average operating and maintenance costs.
- j) Not ideal building configuration for mix of multi-tenant occupants; best suited to single user.
- k) Possible opportunistic sale premium for single user of 20% to 50%.

### Principal Variables

Rentable Square Feet	29,500
Delivery Cost (net of land)	\$306.00 / rsf
Included Tenant Allowance	\$40.00 / rsf
Office Rent	\$48.00 / rsf per year
Operating Costs & RE Taxes	\$15.00 / rsf
Capital Reserves	\$1.00 /rsf
Vacancy / Lease Up Costs	9.0%
Debt	75%, 25 year amortization at 7.0%
Equity Yield Required	12.0%
Suggested District Discount Rate	8.0%
Direct Job Computation	one job / 275 rsf
Average Office Job Income	\$75,000 / year (assumed prestige type office user)
Percentage DC Resident	15.0%
Job Multiplier	50.0%
Average Multiplier Job Income	\$50,000 / year
Percentage DC Resident	25.0%



**TABLE O1: ECONOMIC IMPACT SUMMARY ( \$2002)**  
**Franklin School - Office Use - Private Market Lease**

**A) Annual Direct Local Tax Revenues (Table O2)**

1)	Real Estate Tax	\$225,694
2)	Employee Related Sales Tax	\$21,025
3)	Other Use Taxes, Fees and Business Revenues	\$21,455
4)	Parking Revenue Tax	<u>\$0</u>
5)	<b>Total Annual</b>	<b>\$268,174</b>

**B) Employment (Table O3)**

	<u><b>DC Jobs</b></u>		<u><b>DC Residents</b></u>
6)	Office Use Related FTE Jobs	107	15% 16
7)	Indirect Related FTE Jobs	<u>54</u>	25% <u>13</u>
8)	<b>Total Permanent FTE Jobs</b>	<b>161</b>	<b>30</b>
9)	Temporary Construction FTE Jobs	55	30% 17
10)	Indirect Temporary Construction FTE Jobs	<u>73</u>	25% <u>18</u>
11)	<b>Total Base Construction FTE Jobs</b>	<b>128</b>	<b>35</b>

**C) Employment Related Income Tax (Table O3)**

	<u><b>Resident Payroll</b></u>	<u><b>DC Income Tax</b></u>
12)	Office Use Related FTE Jobs	\$1,206,818 \$114,648
13)	Indirect Related FTE Jobs	<u>\$670,455</u> <u>\$56,989</u>
14)	<b>Total Permanent FTE Jobs</b>	<b>\$1,877,273</b> <b>\$171,636</b>
15)	Temporary Construction FTE Jobs	\$762,547 \$61,004
16)	Indirect Temporary Construction FTE Jobs	<u>\$838,802</u> <u>\$67,104</u>
17)	<b>Total Base Construction FTE Jobs</b>	<b>\$1,601,349</b> <b>\$128,108</b>

**D) Potential Property Income (Tables O4 & O5)**

18)	<i>NPV to Government of Ground Lease</i>	12.00% discount	<b>\$2,794,541</b>
19)	<i>NPV to Government of Ground Lease</i>	10.00% discount	<b>\$3,525,043</b>
20)	<i>NPV to Government of Ground Lease</i>	8.00% discount	<b>\$4,732,804</b>
21)	<i>Initial Property Value (investor NPV net of ground lease)</i>	12.00% discount	<b>\$3,174,226</b>

**E) Other One-time District Revenue**

22)	Recordation Fees	\$150,000+
23)	Development Fees & Permits	\$50,000+
24)	Construction Related Sales Tax	not calculated

Source: Bolan Smart Associates

**TABLE 02: ANNUAL DIRECT LOCAL TAX REVENUE (\$2002)**  
**Franklin School - Office Use - Private Market Lease**

**Project Description**

53,716 gsf  
 29,500 rsf  
 NA usf  
 Parking 10 spaces

**A) Real Estate Tax**

- 1) RE Assessment (inc. initial property value)
- 2) **Real Estate Tax**

**B) Other Direct Tax Revenues**

- 3) Office Use Related FTE Jobs
- 4) FTE Employee Expenditures Subject to Sales Tax
- 5)
- 6)
- 7) **Employee Related Sales Tax**
- 8) **Other Use Taxes, Fees and Business Revenues**

(b)

**C) Parking**

- 9) Parking Expenditures Subject to Sales Tax
- 10)
- 11) **Parking Revenue Tax**

**D) Total Direct Annual Tax Revenue**

Building / Parking (a)		
	one rsf	29,500 rsf
	<u>\$413.55</u>	<u>\$12,199,698</u>
1.85% tax rate	\$7.65	<b>\$225,694</b>
	one rsf	29,500.00 rsf
275 rsf per employee	0.0036	107
\$50 per FTE employee per wk.		
49 weeks		
\$2,450 per FTE employee per yr.		<u>\$262,818</u>
8.0% mostly meals (c)		<b>\$21,025</b>
\$200 per employee (d)	\$0.73	<b>\$21,455</b>
	one space	10 spaces
\$0 per space per day		
\$0 per space per yr.	\$0	\$0
12.0% of gross revenue	\$0	<u>\$0</u>
		<b>\$268,174</b>

Notes:

- (a) Assumes 100% net gain to the District of Columbia.
- (b) FTE is full time equivalent employee, assumed at 40 hours per week.
- (c) Based on blend of 5.75% sales tax on general goods and services and 9.0% sales tax rate (District portion) on restaurant related sales.
- (d) Assume \$200 per employee for private taxable corporations, \$50 for government or non-profit tenants.

Sources: Bolan Smart Associates; District of Columbia

**TABLE O3: EMPLOYMENT RELATED DISTRICT INCOME TAX IMPACT (\$2002)**  
**Franklin School - Office Use - Private Market Lease**

District Jobs			District Residents		
(a) Direct <u>FTE Jobs</u>	(b) Multiplier <u>FTE Jobs</u>	Total <u>FTE Jobs</u>	Resident <u>FTE Jobs</u>	Multiplier Resident <u>FTE Jobs</u>	Total Resident <u>FTE Jobs</u>
<b>A) Office Use Related</b>					
1) Multipliers	50%				
2) District Residents			15%	25%	
3) Office Use Related FTE Jobs	107	54	16	13	30
4) Average Annual Income			\$75,000	\$50,000	
5) Total Annual Payroll			\$1,206,818	\$670,455	\$1,877,273
6) Average DC Income Tax Rate			<u>9.50%</u>	<u>8.50%</u>	
7) <b>Annual DC Income Tax</b>			\$114,648	\$56,989	<b>\$171,636</b>
<b>B) Construction (1 year)</b>					
8) Base Building Cost		\$6,354,560			
9) Direct Labor		<u>40%</u>			
10) Construction Labor Income		\$2,541,824			
11) Multipliers	132%				
12) District Residents			30%	25%	
13) Temporary Base Construction FTE Jobs	55	73	17	18	35
14) Average Annual Income			\$46,000	\$46,000	
15) Total Annual Payroll			\$762,547	\$838,802	\$1,601,349
16) Average DC Income Tax Rate			<u>8.00%</u>	<u>8.00%</u>	
17) <b>Annual DC Income Tax</b>			\$61,004	\$67,104	<b>\$128,108</b>

Notes:

- (a) FTE is full time equivalent employee, assumed at 40 hours per week. See Table 2 for computation of permanent employment.  
(b) U.S. Bureau of Economic Analysis Regional Input-Output Modeling System (RIMS II) by sector for Washington, DC.

Sources: Bolan Smart Associates; US Departments of Commerce, Labor, Housing & Urban Development; District of Columbia

**TABLE O4: CASH FLOW ANALYSIS (\$2002) - With Ground Lease**  
**Franklin School - Office Use - Private Market Lease**

Project Description		Development Costs (\$2002)						Implied Property Value					
1)	53,716 gsf	Base Bldg & Tenant Fit Up	\$160 / gsf	\$6,354,560				Development Cost	\$9,025,472				
2)	29,500 rsf	Support / Attic 14,000 gsf	\$100 / gsf	\$1,400,000					\$168 / gsf				
3)	NA usf	Soft Costs	20.00% of base	\$1,270,912					\$306 / rsf				
4)		Developer Fee	0.00% of base & soft	\$0				Including Initial Property Value	\$12,199,698	+ line 22, H5			
5)		FF&E	\$0 / rsf	\$0					\$227 / gsf				
6)	Parking (rev included) 10 spaces	Total Delivery Costs		\$9,025,472					\$414 / rsf				
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 10	Year 11	Year 25	Year 26	Year 50	
<b>A) Revenues (\$2002)</b>		2.00% CPI											
7)	Revenue	\$48.00 / rsf	\$1,416,000	\$1,444,320	\$1,473,206	\$1,502,671	\$1,532,724	\$1,563,378	\$1,692,251	\$1,726,096	\$2,277,547	\$2,323,098	\$3,736,557
8)	Vacancy / Lease Up Costs	9.00%	<u>(\$127,440)</u>	<u>(\$129,989)</u>	<u>(\$132,589)</u>	<u>(\$135,240)</u>	<u>(\$137,945)</u>	<u>(\$140,704)</u>	<u>(\$152,303)</u>	<u>(\$155,349)</u>	<u>(\$204,979)</u>	<u>(\$209,079)</u>	<u>(\$336,290)</u>
9)	Total Gross Revenue		\$1,288,560	\$1,314,331	\$1,340,618	\$1,367,430	\$1,394,779	\$1,422,674	\$1,539,948	\$1,570,747	\$2,072,568	\$2,114,019	\$3,400,267
<b>B) Expenses (\$2002)</b>													
10)	Operating Costs & RE Taxes	\$14.00 / rsf	(\$413,000)	(\$421,260)	(\$429,685)	(\$438,279)	(\$447,044)	(\$455,985)	(\$493,573)	(\$503,445)	(\$664,285)	(\$677,570)	(\$1,089,829)
11)	Capital Reserves	\$1.00 / rsf	<u>(\$29,500)</u>	<u>(\$30,090)</u>	<u>(\$30,692)</u>	<u>(\$31,306)</u>	<u>(\$31,932)</u>	<u>(\$32,570)</u>	<u>(\$35,255)</u>	<u>(\$35,960)</u>	<u>(\$47,449)</u>	<u>(\$48,398)</u>	<u>(\$77,845)</u>
12)	Total Expenses		<u>(\$442,500)</u>	<u>(\$451,350)</u>	<u>(\$460,377)</u>	<u>(\$469,585)</u>	<u>(\$478,976)</u>	<u>(\$488,556)</u>	<u>(\$528,828)</u>	<u>(\$539,405)</u>	<u>(\$711,733)</u>	<u>(\$725,968)</u>	<u>(\$1,167,674)</u>
<b>C) Income Net of Financing or Ground Rent</b>			\$846,060	\$862,981	\$880,241	\$897,846	\$915,803	\$934,119	\$1,011,120	\$1,031,342	\$1,360,834	\$1,388,051	\$2,232,593
13)	Terminal Prop. Value (to Govt)	11.00% capitalization											\$20,296,301
<b>D) Ground Rent</b>		21.40% of revenue	(\$275,752)	(\$281,267)	(\$286,892)	(\$292,630)	(\$298,483)	(\$304,452)	(\$329,549)	(\$336,140)	(\$443,530)	(\$452,400)	(\$727,657)
14)	NPV to Govt	12.00% discount	<b>\$2,794,541</b>										
15)	NPV to Govt	10.00% discount	<b>\$3,525,043</b>										
16)	NPV to Govt	8.00% discount	<b>\$4,732,804</b>										
<b>E) Financing</b>													
	<u>amort</u> <u>rate</u> <u>amount</u>												
17)	Debt 25 7.00%	75.00%	\$6,769,104	<u>(\$580,860)</u>	<u>(\$580,860)</u>	<u>(\$580,860)</u>	<u>(\$580,860)</u>	<u>(\$580,860)</u>	<u>(\$580,860)</u>	<u>(\$580,860)</u>	<u>(\$580,860)</u>		
18)	Cash Flow Before Equity			(\$10,552)	\$854	\$12,488	\$24,355	\$36,460	\$48,806	\$100,711	\$114,342	\$336,445	\$935,651
	Equity <u>amount</u>												
19)	Fed. Hist. Tax Cred	17.00%	\$1,534,330										
20)	Required Investor Equity	8.00%	\$722,038										
21)	Cumulative Return to Investor			(\$10,552)	(\$9,698)	\$2,790	\$27,145	\$63,605	\$112,411	\$436,112	\$550,454	\$3,745,633	\$4,681,284
<b>F) Investor NPV Net of Ground Lease</b>													
22)	12.00% yld on equity		<b>\$372,161</b>										

Sources: Bolan Smart Associates; Grubb & Ellis; Fetterman Associates

**TABLE O5: CASH FLOW ANALYSIS (\$2002) - Without Ground Lease**  
**Franklin School - Office Use - Private Market Lease**

Project Description				Development Costs (\$2002)				Implied Property Value									
1)	53,716	gsf		Base Bldg & Basic Tenant Fit Up		\$160 / gsf	\$6,354,560			Development Cost		\$9,025,472					
2)	29,500	rsf		Support / Attic 14,000 gsf		\$100 / gsf	\$1,400,000					\$168 / gsf					
3)	NA	usf		Soft Costs		20.00% of base	\$1,270,912					\$306 / rsf					
4)				Developer Fee		0.00% of base & soft	\$0			Including Initial Property Value		\$12,199,698					
5)				FF&E		\$0 / rsf	<u>\$0</u>					\$227 / gsf					
6)	Parking (rev included)	10 spaces		Total Delivery Costs			\$9,025,472					\$414 / rsf					
				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6		Year 10	Year 11		Year 25	Year 26		Year 50
<b>A) Revenues (\$2002)</b>				2.00% CPI													
7)	Revenue	\$48.00 / rsf		\$1,416,000	\$1,444,320	\$1,473,206	\$1,502,671	\$1,532,724	\$1,563,378		\$1,692,251	\$1,726,096		\$2,277,547	\$2,323,098		\$3,736,557
8)	Vacancy / Lease Up Costs	9.00%		<u>(\$127,440)</u>	<u>(\$129,989)</u>	<u>(\$132,589)</u>	<u>(\$135,240)</u>	<u>(\$137,945)</u>	<u>(\$140,704)</u>		<u>(\$152,303)</u>	<u>(\$155,349)</u>		<u>(\$204,979)</u>	<u>(\$209,079)</u>		<u>(\$336,290)</u>
9)	Total Gross Revenue			\$1,288,560	\$1,314,331	\$1,340,618	\$1,367,430	\$1,394,779	\$1,422,674		\$1,539,948	\$1,570,747		\$2,072,568	\$2,114,019		\$3,400,267
<b>B) Expenses (\$2002)</b>																	
10)	Operating Costs & RE Taxes	\$14.00 / rsf		(\$413,000)	(\$421,260)	(\$429,685)	(\$438,279)	(\$447,044)	(\$455,985)		(\$493,573)	(\$503,445)		(\$664,285)	(\$677,570)		(\$1,089,829)
11)	Capital Reserves	\$1.00 / rsf		<u>(\$29,500)</u>	<u>(\$30,090)</u>	<u>(\$30,692)</u>	<u>(\$31,306)</u>	<u>(\$31,932)</u>	<u>(\$32,570)</u>		<u>(\$35,255)</u>	<u>(\$35,960)</u>		<u>(\$47,449)</u>	<u>(\$48,398)</u>		<u>(\$77,845)</u>
12)	Total Expenses			<u>(\$442,500)</u>	<u>(\$451,350)</u>	<u>(\$460,377)</u>	<u>(\$469,585)</u>	<u>(\$478,976)</u>	<u>(\$488,556)</u>		<u>(\$528,828)</u>	<u>(\$539,405)</u>		<u>(\$711,733)</u>	<u>(\$725,968)</u>		<u>(\$1,167,674)</u>
<b>C) Income Net of Financing or Ground Rent</b>					\$846,060	\$862,981	\$880,241	\$897,846	\$915,803	\$934,119	\$1,011,120	\$1,031,342		\$1,360,834	\$1,388,051		\$2,232,593
13)	Terminl Prop. Value (to investc	11.00% capitalization															\$20,296,301
<b>D) Ground Rent</b>				0.00% of revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0	\$0		\$0
14)	NPV to Govt	12.00% discount		<u>\$0</u>													
15)	NPV to Govt	10.00% discount		<u>\$0</u>													
16)	NPV to Govt	8.00% discount		<u>\$0</u>													
<b>E) Financing</b>																	
	amort	rate	amount														
17)	Debt	25	7.00%	75.00%	\$6,769,104	<u>(\$580,860)</u>	<u>(\$580,860)</u>	<u>(\$580,860)</u>	<u>(\$580,860)</u>	<u>(\$580,860)</u>	<u>(\$580,860)</u>	<u>(\$580,860)</u>		<u>(\$580,860)</u>			
18)	Cash Flow Before Equity					\$265,200	\$282,121	\$299,381	\$316,985	\$334,942	\$353,258		\$430,260	\$450,482		\$779,974	\$1,388,051
	Equity		amount														
19)	Federal Historic Tax Credits		17.00%		\$1,534,330												
20)	Required Investor Equity		8.00%		\$722,038												
21)	Cumulative Return to Investor					\$265,200	\$547,321	\$846,701	\$1,163,686	\$1,498,629	\$1,851,887		\$3,455,518	\$3,906,000		\$12,578,047	\$13,966,099
<b>F) Investor NPV Net of Ground Lease</b>																	
22)		12.00% yld on equity		<u>\$3,174,226</u>	(initial property value)												

Sources: Bolan Smart Associates; Grubb & Ellis; Fetterman Associates

### **TAB 3**

## Office Use – Government Lease Equivalent

### Market Feasibility

- a) Presumably excellent central location.
- b) Building well suited to public access / use.
- c) Less than market standard space efficiency.
- d) Limited building size and historic elements limit longer-term use / adaptation flexibility.
- e) Limited on-site parking.
- f) Small size and historic features contribute to higher than average operating and maintenance costs.
- g) Analysis assumes opportunity cost of District Government not leasing at alternate cost effective property.
- h) Private office backfill at District vacated space would presumably generate some ancillary economic benefits akin to private market lease, but not quantified herein.

### Principal Variables

Rentable Square Feet	29,500
Delivery Cost (net of land)	\$306.00 / rsf
Included Tenant Allowance	\$40.00 / rsf
Rent (compared to alternative location)	\$35.00 / rsf per year
Operating Costs	\$9.00 / rsf
Capital Reserves	\$1.00 / rsf
Vacancy (turnover, etc.)	5.0%
Debt	100%, 25 year amortization at 5.5%
Equity Yield Required	NA
Suggested District Discount Rate	8.0%
Direct Job Computation	NA – already located in DC
Average Office Job Income	NA – already located in DC
Percentage DC Resident	NA – already located in DC
Job Multiplier	NA – already located in DC
Average Multiplier Job Income	NA – already located in DC
Percentage DC Resident:	NA – already located in DC

**TABLE D1: ECONOMIC IMPACT SUMMARY ( \$2002)**  
**Franklin School - Office Use - District Lease Equivalent**

**A) Annual Direct Local Tax Revenues**

1)	Real Estate Tax	\$0
2)	Employee Related Sales Tax	no net change
3)	Other Use Taxes, Fees and Business Revenues	no net change
4)	Parking Revenue Tax	<u>\$0</u>
5)	<b>Total Annual</b>	<b>\$0</b>

**B) Employment (Table D2)**

	<u><b>DC Jobs</b></u>	<u><b>DC Residents</b></u>
6)	Office Use Related FTE Jobs	no net change
7)	Indirect Related FTE Jobs	no net change
8)	<b>Total Permanent FTE Jobs</b>	
9)	Temporary Construction FTE Jobs	55 30% 17
10)	Indirect Temporary Construction FTE Jobs	<u>73</u> 25% <u>18</u>
11)	<b>Total Base Construction FTE Jobs</b>	<b>128 35</b>

**C) Employment Related Income Tax (Table D2)**

	<u><b>Resident Payroll</b></u>	<u><b>DC Income Tax</b></u>
12)	Office Use Related FTE Jobs	no net change
13)	Indirect Related FTE Jobs	no net change
14)	<b>Total Permanent FTE Jobs</b>	
15)	Temporary Construction FTE Jobs	\$762,547 \$61,004
16)	Indirect Temporary Construction FTE Jobs	<u>\$838,802</u> <u>\$67,104</u>
17)	<b>Total Base Construction FTE Jobs</b>	<b>\$1,601,349 \$128,108</b>

**D) Potential Property Income (Tables D3)**

18)	<b>NPV to Government</b>	12.00% discount	<b>\$1,869,303</b>
19)	<b>NPV to Government</b>	9.00% discount	<b>\$2,775,923</b>
20)	<b>NPV to Government</b>	6.00% discount	<b>\$4,422,135</b>
21)	<b>Initial Property Value (investor NPV net of ground lease)</b>		NA

**E) Other One-time District Revenue**

22)	Recordation Fees	assumed exempt
23)	Development Fees & Permits	assumed exempt
24)	Construction Related Sales Tax	not calculated

Source: Bolan Smart Associates



**TABLE D2: EMPLOYMENT RELATED DISTRICT INCOME TAX IMPACT (\$2002)**  
**Franklin School - Office Use - District Lease Equivalent**

District Jobs			District Residents		
(a) Direct <u>FTE Jobs</u>	(b) Multiplier <u>FTE Jobs</u>	Total <u>FTE Jobs</u>	Resident <u>FTE Jobs</u>	Multiplier Resident <u>FTE Jobs</u>	Total Resident <u>FTE Jobs</u>
<b>A) Office Use Related</b>					
1) Multipliers					
2) District Residents					
3) Office Use Related FTE Jobs	no net change		no net change		
4) Average Annual Income					
5) Total Annual Payroll					
6) Average DC Income Tax Rate					
7) <b>Annual DC Income Tax</b>					
<b>B) Construction (1 year)</b>					
8) Base Building Cost		\$6,354,560			
9) Direct Labor		<u>40%</u>			
10) Construction Labor Income		\$2,541,824			
11) Multipliers	132%				
12) District Residents			30%	25%	
13) Temporary Base Construction FTE Jobs	55	73	128	17	18
14) Average Annual Income			\$46,000	\$46,000	
15) Total Annual Payroll			\$762,547	\$838,802	\$1,601,349
16) Average DC Income Tax Rate			<u>8.00%</u>	<u>8.00%</u>	
17) <b>Annual DC Income Tax</b>			\$61,004	\$67,104	<b>\$128,108</b>

Notes:

(a) FTE is full time equivalent employee, assumed at 40 hours per week. See Table 2 for computation of permanent employment.

(b) U.S. Bureau of Economic Analysis Regional Input-Output Modeling System (RIMS II) by sector for Washington, DC.

Sources: Bolan Smart Associates; US Departments of Commerce, Labor, Housing & Urban Development; District of Columbia

**TABLE D3: CASH FLOW ANALYSIS (\$2002) - With Ground Lease**  
**Franklin School - Office Use - District Lease Equivalent**

Project Description				Development Costs (\$2002)					Implied Property Value				
1)	53,716	gsf		Base Bldg & Tenant Fit Up	\$160	/ gsf	\$6,354,560		Development Cost	\$9,025,472			
2)	29,500	rsf		Support / Attic	14,000	gsf	\$100 / gsf	\$1,400,000		\$168	/ gsf		
3)	NA	usf		Soft Costs	20.00%	of base	\$1,270,912			\$306	/ rsf		
4)				Developer Fee	0.00%	of base & soft	\$0		Including Initial Property Value	\$13,447,607	+ line 22		
5)				FF&E	\$0	/ rsf	<u>\$0</u>			\$250	/ gsf		
6) Parking (rev included)	10	spaces		Total Delivery Costs			\$9,025,472			\$456	/ rsf		

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6		Year 10	Year 11		Year 25	Year 26		Year 50
A) Revenues (\$2002)	2.00% CPI													
7) Revenue (Govt equivalent)	\$35.00 / rsf	\$1,032,500	\$1,053,150	\$1,074,213	\$1,095,697	\$1,117,611	\$1,139,963	\$1,233,933	\$1,258,612		\$1,660,711	\$1,693,926		\$2,724,573
8) Vacancy / Lease Up Costs	5.00%	<u>(\$51,625)</u>	<u>(\$52,658)</u>	<u>(\$53,711)</u>	<u>(\$54,785)</u>	<u>(\$55,881)</u>	<u>(\$56,998)</u>	<u>(\$61,697)</u>	<u>(\$62,931)</u>		<u>(\$83,036)</u>	<u>(\$84,696)</u>		<u>(\$136,229)</u>
9) Total Gross Revenue		\$980,875	\$1,000,493	\$1,020,502	\$1,040,912	\$1,061,731	\$1,082,965	\$1,172,236	\$1,195,681		\$1,577,676	\$1,609,229		\$2,588,345
B) Expenses (\$2002)														
10) Operating Costs	\$8.00 / rsf	(\$236,000)	(\$240,720)	(\$245,534)	(\$250,445)	(\$255,454)	(\$260,563)	(\$282,042)	(\$287,683)		(\$379,591)	(\$387,183)		(\$622,760)
11) Capital Reserves	\$1.00 / rsf	<u>(\$29,500)</u>	<u>(\$30,090)</u>	<u>(\$30,692)</u>	<u>(\$31,306)</u>	<u>(\$31,932)</u>	<u>(\$32,570)</u>	<u>(\$35,255)</u>	<u>(\$35,960)</u>		<u>(\$47,449)</u>	<u>(\$48,398)</u>		<u>(\$77,845)</u>
12) Total Expenses		<u>(\$265,500)</u>	<u>(\$270,810)</u>	<u>(\$276,226)</u>	<u>(\$281,751)</u>	<u>(\$287,386)</u>	<u>(\$293,133)</u>	<u>(\$317,297)</u>	<u>(\$323,643)</u>		<u>(\$427,040)</u>	<u>(\$435,581)</u>		<u>(\$700,605)</u>
C) Income Net of Financing or Ground Rent														
13) Terminal Prop. Value (to Govt)	11.00% capitalization	\$715,375	\$729,683	\$744,276	\$759,162	\$774,345	\$789,832	\$854,939	\$872,038		\$1,150,636	\$1,173,649		\$1,887,740
														\$17,161,273
D) Ground Rent														
	0.00% of revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0	\$0		\$0
E) Financing														
	amort	rate	amount											
14) Debt	25	5.50%	100.00%	\$9,025,472	<u>(\$672,843)</u>	<u>(\$672,843)</u>	<u>(\$672,843)</u>	<u>(\$672,843)</u>	<u>(\$672,843)</u>	<u>(\$672,843)</u>	<u>(\$672,843)</u>	<u>(\$672,843)</u>		
15) Cash Flow Before Equity					\$42,532	\$56,839	\$71,433	\$86,319	\$101,502	\$116,989	\$182,096	\$199,195	\$477,793	\$1,173,649
16) Equity			amount											
17) Fed. Hist. Tax Cred			0.00%	\$0										
18) Required Investor Equity			0.00%	\$0										
19) Cumulative Return to Government					\$42,532	\$99,371	\$170,804	\$257,123	\$358,625	\$475,613	\$1,104,726	\$1,303,921	\$6,092,598	\$7,266,247
														\$60,846,184
F) NPV to Government														
20)	12.00%	discount			<u>\$1,869,303</u>									
21)	10.00%	discount			<u>\$2,775,923</u>									
22)	8.00%	discount			<u>\$4,422,135</u>									

Sources: Bolan Smart Associates; Grubb & Ellis; Fetterman Associates

## **TAB 4**

## Residential Use

### Market Feasibility

- a) Growing downtown oriented residential market.
- b) Corner building, park views.
- c) Distinctive building, unique interiors, high ceilings, potentially elegant and intimate scale.
- d) Minimum prospect of immediate neighborhood establishing stronger residential base, but location proximate to residential serving area north of Massachusetts Avenue.
- e) \$2002 apartment rentals for comparable quality buildings in range of \$2.50 to \$3.75 per rsf.
- f) Limited on-site parking reduces rent potential nominally.
- g) Small size and historic features contribute to higher than average operating and maintenance costs.
- h) Individual unit design not as efficient for use of space compared with new construction alternatives.
- i) Assume need to designate 20% of units for moderate income households.
- j) Also assumed viable for condominium sale, with comparable quality buildings selling in range of \$350 to \$500+ per rsf.

### Principal Variables

Delivery Cost (net of land)	\$312.00 / rsf
Average Apartment Size	928 rsf
Number of Apartments	27
Market Rent	\$3.40 / rsf per month (\$3,155)
Required Resident Income	\$125,195 per year
New DC Income Tax Households	90.0%
Moderate Income Rent	\$1.75 / rsf per month (\$1,624)
Required Resident Income	\$60,000 per year
New DC Income Tax Households	90.0%
Operating Costs & RE Taxes	\$10.00 / rsf (net of electric)
Capital Reserves	\$1.00 / rsf
Vacancy / Credit Loss	5.0%
Debt	75%, 25 year amortization at 7.0%
Equity Yield Required	12.5%
Suggested District Discount Rate	10.0%

Direct Job Computation	.06 jobs / unit
Average Direct Job Income	\$45,000 / year
Percentage DC Resident	20.0%
Job Multiplier	1.5 jobs per unit
Average Multiplier Job Income	\$39,000 / year
Percentage DC Resident:	25.0%
Potential Price as Condominiums	\$410 to \$470 / rsf

**TABLE R1: ECONOMIC IMPACT SUMMARY ( \$2002)**  
**Franklin School - Residential Apartments for Lease**

**A) Annual Direct Local Tax Revenues (Table R2)**

1) Real Estate Tax	\$89,646
2) New DC Resident Income Tax	\$199,915
3) New DC Resident Retail Sales Tax	\$42,555
4) Employee Related Sales Tax	\$191
5) Other New DC Resident Use Taxes and Fees	<u>\$14,029</u>
6) <b>Total Annual</b>	<b>\$346,336</b>

**B) Employment (Table R3)**

	<u>DC Jobs</u>	<u>DC Residents</u>
7) Residential Use Related FTE Jobs	1.6	20% 0.3
8) Indirect Related FTE Jobs	<u>41</u>	25% <u>10</u>
9) <b>Total Permanent FTE Jobs</b>	<b>42</b>	<b>10</b>
10) Temporary Construction FTE Jobs	44	30% 13
11) Indirect Temporary Construction FTE Jobs	<u>57</u>	25% <u>14</u>
12) <b>Total Base Construction FTE Jobs</b>	<b>101</b>	<b>27</b>

**C) Employment Related Income Tax (Table R3)**

	<u>Resident Payroll</u>	<u>DC Income Tax</u>
13) Residential Use Related FTE Jobs	\$14,580	\$1,166
14) Indirect Related FTE Jobs	<u>\$394,875</u>	<u>\$31,590</u>
15) <b>Total Permanent FTE Jobs</b>	<b>\$409,455</b>	<b>\$32,756</b>
16) Temporary Construction FTE Jobs	\$600,506	\$48,040
17) Indirect Temporary Construction FTE Jobs	<u>\$660,557</u>	<u>\$52,845</u>
18) <b>Total Base Construction FTE Jobs</b>	<b>\$1,261,062</b>	<b>\$100,885</b>

**D) Potential Property Income (Tables R4 & R5)**

19) <i>NPV to Government of Ground Lease</i>	12.00% discount	<b>\$2,084,850</b>
20) <i>NPV to Government of Ground Lease</i>	10.00% discount	<b>\$2,634,147</b>
21) <i>NPV to Government of Ground Lease</i>	8.00% discount	<b>\$3,544,050</b>
22) <b>Initial Property Value (investor NPV net of ground lease)</b>	12.50% discount	<b>\$1,528,076</b>

**E) Other One-time District Revenue**

23) Recordation Fees	\$150,000+
24) Development Fees & Permits	\$50,000+
25) Construction Related Sales Tax	not calculated

**F) Additional Project Related DC Residents**

26) Estimated Average Project Household Size	1.5 persons
27) Average Occupied Apartment Units (@ 95% occupancy)	25.7 units
28) Total Additional DC Residents @ 100% Net New	38.5 persons
29) Total Additional DC Residents @ 90% Net New	34.6 persons
30) Total Additional Income Taxpaying DC Households @ 90% New	23.1 households

Source: Bolan Smart Associates

**TABLE R2: ANNUAL DIRECT LOCAL TAX REVENUE (\$2002)**  
**Franklin School - Residential Apartments for Lease**

**Project Description**

53,716 gsf

25,056 apt. rsf  
 27 units  
 10 spaces

928 rsf per average unit  
 5 mod. income units @ 20%

Parking

**A) Real Estate Tax**

- 1) RE Assessment (inc. initial property value)
- 2) **Real Estate Tax**

**B) Other Direct Use Related Tax Revenues**

- 3) Monthly Rent
- 4) Required Gross HH Income
- 5) Taxable Income
- 6) Taxable Income Adjusted for Average Occupancy
- 7) Potential DC Income Tax from New DC Residents
- 8) **Income Tax Rev. Adjustd for Resident Status**
- 9) New Resident Retail Expenditures Subject to Sales Tax
- 10) District of Columbia Resident Sales Capture
- 11) **DC Average Applicable Sales Tax (b)**
- 12) **Other Resident Related Use Taxes and Fees (c)**
- 13) Personal Property Tax (not applicable) (d)

**C) Other Direct Tax Revenues**

- 14) Residential Use Related FTE Jobs
- 15) FTE Employee Expenditures Subject to Sales Tax
- 16)
- 17)
- 18) **Employee Related Sales Tax**

**D) Parking**

- 19) Parking Expenditures Subject to Sales Tax
- 20)
- 21) **Parking Revenue Tax**

**E) Total Direct Annual Tax Revenue**

Building / Parking (a)		
	one apt. rsf	25,056 apt. rsf
	<u>\$372.69</u>	<u>\$9,338,135</u>
0.96% tax rate	\$3.58	<b>\$89,646</b>
	one apartment	27 apartments
\$3.07 per rsf	\$2,849	
333.3% multiple of rent	\$113,947	\$3,076,569
80.0% of gross	<u>\$91,158</u>	<u>\$2,461,255</u>
95.0% occupancy	\$86,600	\$2,338,193
9.5% DC tax rate	\$8,227	\$222,128
90.0% new taxpaying residents	\$7,404	<b>\$199,915</b>
40.0% of taxable income	\$34,640	\$935,277
65.0% of expenditures	\$22,516	<u>\$607,930</u>
7.0% blend of categories	\$1,576	<b>\$42,555</b>
0.6% of taxable income	\$519.60	<b>\$14,029</b>
		<u>NA</u>
	one apartment	27 apartments
	0.06	1.6
\$30 per FTE employee per wk.		
49 weeks		
\$1,470 per FTE employee per yr.		<u>\$2,381</u>
8.0% mostly meals (b)		<b>\$191</b>
	one space	10 spaces
\$0 per space per day		
\$0 per space per yr.	\$0	\$0
12.0% of gross revenue	\$0	<u>\$0</u>
		<b>\$346,336</b>

Notes:

- (a) Assumes 100% net gain to the District of Columbia.
- (b) Based on blend of 5.75% sales tax on general goods and services and 9.0% sales tax rate (District portion) on restaurant related sales.
- (c) Apartment building operations purchases, resident DMV fees, utility and telecommunications fees, other licensing fees and charges.
- (d) Apartment fixtures, etc. included in real property value; residents assumed not to exceed \$50,000 personal property exemption.

Sources: Bolan Smart Associates; District of Columbia

**TABLE R3: EMPLOYMENT RELATED DISTRICT INCOME TAX IMPACT (\$2002)**  
**Franklin School - Residential Apartments for Lease**

District Jobs				District Residents		
(a) Direct <u>FTE Jobs</u>	(b) Multiplier <u>FTE Jobs</u>	Total <u>FTE Jobs</u>		Resident <u>FTE Jobs</u>	Multiplier Resident <u>FTE Jobs</u>	Total Resident <u>FTE Jobs</u>
<b>A) Residential Use</b>						
1) Multipliers (jobs per apartment)	1.5					
2) District Residents				20%	25%	
3) Residential Use Related FTE Jobs	1.6	41	42	0	10	10
4) Average Annual Income				\$45,000	\$39,000	
5) Total Annual Payroll				\$14,580	\$394,875	\$409,455
6) Average DC Income Tax Rate				<u>8.00%</u>	<u>8.00%</u>	
7) <b>Annual DC Income Tax</b>				\$1,166	\$31,590	<b>\$32,756</b>
<b>B) Construction (1 year)</b>						
8) Base Building Cost			\$5,004,216			
9) Direct Labor			<u>40%</u>			
10) Construction Labor Income			\$2,001,686			
11) Multipliers	132%					
12) District Residents				30%	25%	
13) Temporary Base Construction FTE Jobs	44	57	101	13	14	27
14) Average Annual Income				\$46,000	\$46,000	
15) Total Annual Payroll				\$600,506	\$660,557	\$1,261,062
16) Average DC Income Tax Rate				<u>8.00%</u>	<u>8.00%</u>	
17) <b>Annual DC Income Tax</b>				\$48,040	\$52,845	<b>\$100,885</b>

Notes:

(a) FTE is full time equivalent employee, assumed at 40 hours per week. See Table 2 for computation of permanent employment.

(b) U.S. Bureau of Economic Analysis Regional Input-Output Modeling System (RIMS II) by sector for Washington, DC.

Sources: Bolan Smart Associates; US Departments of Commerce, Labor, Housing & Urban Development; District of Columbia



**TABLE R4: CASH FLOW ANALYSIS (\$2002) - With Ground Lease**  
**Franklin School - Residential Apartments for Lease**

Project Description				Development Costs (\$2002)						Implied Property Value					
1)			53,716 gsf	Base Bldg & Tenant Fit Up		\$126 / gsf	\$5,004,216		Development Cost		\$7,810,059				
2)	928	rsf per average unit	25,056 apt. rsf	Support / Attic 14,000 gsf		\$100 / gsf	\$1,400,000				\$312 / apt. rsf				
3)	Total Units (6 ef, 19 1bd, 2 2bd)		27 units	Soft Costs		20.00% of base	\$1,000,843				\$289,261 / unit				
4)	Moderate Income	20.00%	5 units	Developer Fee		0.00% of base & soft	\$0		Including Initial Property Value		\$9,338,135	+ line 23, H5			
5)	Avg. Mkt.Rent	\$3.40	\$3,155 / month	FF&E		\$15,000 / unit	<u>\$405,000</u>				\$373 / apt. rsf				
6)	Avg. Mod.Rent	\$1.75	\$1,624 / month	Total Delivery Costs			\$7,810,059				\$345,857 / unit				
7)	Parking (rev included)		10 spaces												
A) Revenues (\$2002)				2.00% CPI											
8)	Revenue		\$3.07 / apt. rsf	\$923,063	\$941,524	\$960,355	\$979,562	\$999,153	\$1,019,136	\$1,103,146	\$1,125,209	\$1,484,689	\$1,514,383	\$2,435,790	
9)	Vacancy / Collection Loss		5.00%	<u>(\$46,153)</u>	<u>(\$47,076)</u>	<u>(\$48,018)</u>	<u>(\$48,978)</u>	<u>(\$49,958)</u>	<u>(\$50,957)</u>	<u>(\$55,157)</u>	<u>(\$56,260)</u>	<u>(\$74,234)</u>	<u>(\$75,719)</u>	<u>(\$121,789)</u>	
10)	Total Gross Revenue			\$876,910	\$894,448	\$912,337	\$930,584	\$949,195	\$968,179	\$1,047,988	\$1,068,948	\$1,410,455	\$1,438,664	\$2,314,000	
B) Expenses (\$2002)															
11)	Op Cost & RE Tax (net of elec)		\$9.00 / apt rsf	(\$225,504)	(\$230,014)	(\$234,614)	(\$239,307)	(\$244,093)	(\$248,975)	(\$269,498)	(\$274,888)	(\$362,709)	(\$369,963)	(\$595,063)	
12)	Capital Reserves		\$1.00 / apt rsf	<u>(\$25,056)</u>	<u>(\$25,557)</u>	<u>(\$26,068)</u>	<u>(\$26,590)</u>	<u>(\$27,121)</u>	<u>(\$27,664)</u>	<u>(\$29,944)</u>	<u>(\$30,543)</u>	<u>(\$40,301)</u>	<u>(\$41,107)</u>	<u>(\$66,118)</u>	
13)	Total Expenses			<u>(\$250,560)</u>	<u>(\$255,571)</u>	<u>(\$260,683)</u>	<u>(\$265,896)</u>	<u>(\$271,214)</u>	<u>(\$276,638)</u>	<u>(\$299,442)</u>	<u>(\$305,431)</u>	<u>(\$403,010)</u>	<u>(\$411,070)</u>	<u>(\$661,181)</u>	
C) Income Net of Financing or Ground Rent				\$626,350	\$638,877	\$651,654	\$664,688	\$677,981	\$691,541	\$748,546	\$763,517	\$1,007,444	\$1,027,593	\$1,652,819	
14)	Terminal Prop. Value (to Govt)		11.00% capitalization											\$15,025,632	
D) Ground Rent (+ terminal value)				23.40% of revenue	(\$205,197)	(\$209,301)	(\$213,487)	(\$217,757)	(\$222,112)	(\$226,554)	(\$245,229)	(\$250,134)	(\$330,046)	(\$336,647)	(\$15,567,108)
15)	NPV to Govt	12.00% discount	<u>\$2,084,850</u>												
16)	NPV to Govt	10.00% discount	<u>\$2,634,147</u>												
17)	NPV to Govt	8.00% discount	<u>\$3,544,050</u>												
E) Financing															
	amort	rate	amount												
18)	Debt	25	7.00%	75.00%	\$5,857,544	<u>(\$502,639)</u>	<u>(\$502,639)</u>	<u>(\$502,639)</u>	<u>(\$502,639)</u>	<u>(\$502,639)</u>	<u>(\$502,639)</u>	<u>(\$502,639)</u>	<u>(\$502,639)</u>		
19)	Cash Flow Before Equity					(\$81,486)	(\$73,063)	(\$64,471)	(\$55,708)	(\$46,769)	(\$37,652)	\$678	\$10,744	\$1,111,343	
	Equity														
20)	Fed. Hist. Tax Cred		17.00%	\$1,327,710											
21)	Required Investor Equity		8.00%	\$624,805											
22)	Cumulative Return to Investor					(\$81,486)	(\$154,549)	(\$219,020)	(\$274,728)	(\$321,498)	(\$359,150)	(\$414,882)	(\$404,137)	\$23,054,894	
F) Investor NPV Net of Ground Lease															
23)		12.50% yld on equity	<u>(\$453,224)</u>												

Sources: Bolan Smart Associates

**TABLE R5: CASH FLOW ANALYSIS (\$2002) - Without Ground Lease**  
**Franklin School - Residential Apartments for Lease**

Project Description					Development Costs (\$2002)						Implied Property Value								
1)		53,716	gsf		Base Bldg & Basic Tenant Fit Up	\$126	/ gsf	\$5,004,216			Development Cost	\$7,810,059							
2)	928	rsf per average unit	25,056	apt. rsf	Support / Attic	14,000	gsf	\$100	/ gsf	\$1,400,000		\$312	/ apt. rsf						
3)	Total Units (6 ef, 19 1bd, 2 2bd)		27	units	Soft Costs		20.00%	of base		\$1,000,843		\$289,261	/ unit						
4)	Moderate Income	20.00%		5 units	Developer Fee		0.00%	of base & soft		\$0		Including Initial Property Value	\$9,338,135						
5)	Avg. Mkt.Rent	\$3.40	\$3,155	/ month	FF&E		\$15,000	/ unit		<u>\$405,000</u>		\$373	/ apt. rsf						
6)	Avg. Mod.Rent	\$1.75	\$1,624	/ month	Total Delivery Costs					\$7,810,059		\$345,857	/ unit						
7)	Parking (rev included)		10	spaces															
					Year 1	Year 2	Year 3	Year 4	Year 5	Year 6		Year 10	Year 11		Year 25	Year 26		Year 50	
A) Revenues (\$2002)					2.00%	CPI													
8)	Revenue		\$3.07	/ apt. rsf / mon.	\$923,063	\$941,524	\$960,355	\$979,562	\$999,153	\$1,019,136		\$1,103,146	\$1,125,209		\$1,484,689	\$1,514,383		\$2,435,790	
9)	Vacancy		5.00%		<u>(\$46,153)</u>	<u>(\$47,076)</u>	<u>(\$48,018)</u>	<u>(\$48,978)</u>	<u>(\$49,958)</u>	<u>(\$50,957)</u>		<u>(\$55,157)</u>	<u>(\$56,260)</u>		<u>(\$74,234)</u>	<u>(\$75,719)</u>		<u>(\$121,789)</u>	
10)	Total Gross Revenue				\$876,910	\$894,448	\$912,337	\$930,584	\$949,195	\$968,179		\$1,047,988	\$1,068,948		\$1,410,455	\$1,438,664		\$2,314,000	
B) Expenses (\$2002)																			
11)	Op Cost & RE Tax (net of elec)		\$9.00	/ apt rsf	(\$225,504)	(\$230,014)	(\$234,614)	(\$239,307)	(\$244,093)	(\$248,975)		(\$269,498)	(\$274,888)		(\$362,709)	(\$369,963)		(\$595,063)	
12)	Capital Reserves		\$1.00	/ apt rsf	<u>(\$25,056)</u>	<u>(\$25,557)</u>	<u>(\$26,068)</u>	<u>(\$26,590)</u>	<u>(\$27,121)</u>	<u>(\$27,664)</u>		<u>(\$29,944)</u>	<u>(\$30,543)</u>		<u>(\$40,301)</u>	<u>(\$41,107)</u>		<u>(\$66,118)</u>	
13)	Total Expenses				<u>(\$250,560)</u>	<u>(\$255,571)</u>	<u>(\$260,683)</u>	<u>(\$265,896)</u>	<u>(\$271,214)</u>	<u>(\$276,638)</u>		<u>(\$299,442)</u>	<u>(\$305,431)</u>		<u>(\$403,010)</u>	<u>(\$411,070)</u>		<u>(\$661,181)</u>	
C) Income Net of Financing or Ground Rent					\$626,350	\$638,877	\$651,654	\$664,688	\$677,981	\$691,541		\$748,546	\$763,517		\$1,007,444	\$1,027,593		\$1,652,819	
14)	Terminl Prop. Value (to investor)		11.00%	capitalization														\$15,025,632	
D) Ground Rent					0.00%	of revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0	
15)	NPV to Govt	12.00%	discount																
16)	NPV to Govt	10.00%	discount																
17)	NPV to Govt	8.00%	discount																
E) Financing																			
	<u>amort</u>	<u>rate</u>	<u>amount</u>																
18)	Debt	25	7.00%	75.00%	\$5,857,544	<u>(\$502,639)</u>	<u>(\$502,639)</u>	<u>(\$502,639)</u>	<u>(\$502,639)</u>	<u>(\$502,639)</u>	<u>(\$502,639)</u>	<u>(\$502,639)</u>	<u>(\$502,639)</u>	<u>(\$502,639)</u>	<u>(\$502,639)</u>				
19)	Cash Flow Before Equity				\$123,711	\$136,238	\$149,016	\$162,049	\$175,342	\$188,902		\$245,907	\$260,878		\$504,806	\$1,027,593		\$16,678,451	
	Equity			<u>amount</u>															
20)	Federal Historic Tax Credits		17.00%		\$1,327,710														
21)	Required Investor Equity		8.00%		\$624,805														
22)	Cumulative Return to Investor				\$123,711	\$259,949	\$408,964	\$571,013	\$746,355	\$935,257		\$1,831,967	\$2,092,845		\$7,496,202	\$8,523,795		\$55,435,957	
F) Investor NPV Net of Ground Lease																			
23)		12.50%	yld on equity		<u>\$1,528,076</u>	(initial property value)													

Sources: Bolan Smart Associates

## **TAB 5**

## Hotel Use

### Market Feasibility

- a) Proven and popular location.
- b) Corner building, park views.
- c) Distinctive building, unique interiors, high ceilings, potentially elegant and intimate scale.
- d) \$2002 room rates for comparable quality buildings in range of \$180 to \$350 per night.
- e) Destination restaurant probably part of operation, but at high cost (limited net income to property).
- f) Limited on-site parking not an issue.
- g) Small size contributes to higher than average operating and maintenance costs.
- h) Individual room design little compromised compared with new construction alternatives.
- i) Apart from any building issues, current new hotel investment market is at best very tentative. Plentiful new supply set against uncertain demand.
- j) The number of potential rooms is too few to justify required large investment and operating cost per room on the part of most larger hotel brands or other well-capitalized operators.

### Principal Variables

Delivery Cost (net of land)	\$372,577 / room
Number of Rooms	32
Room Rate	\$240 / night
Other Hotel & Restaurant Revenue	\$150 / night
Occupancy	75.0%
Op. Operating Costs & RE Taxes	78.0% of revenue
Capital Reserves / Downtime	4.0% of revenue
Debt	60%, 25 year amortization at 7.0%
Equity Yield Required	18.0%
Suggested District Discount Rate	12.0%
Direct Job Computation	0.9 jobs / room
Average Direct Job Income	\$39,000 / year
Percentage DC Resident	30.0%
Job Multiplier	122.0%
Average Multiplier Job Income	\$39,000 / year
Percentage DC Resident	25.0%

**TABLE H1: ECONOMIC IMPACT SUMMARY ( \$2002)**  
**Franklin School - Hotel Use**

**A) Annual Direct Local Tax Revenues** (excluding DC Convention Center Fund) (Table H2)

1)	Real Estate Tax	\$178,877
2)	Transient Accommodations Tax	\$211,291
3)	Other Hotel Guest Sales Tax	\$111,690
4)	Hotel Personal Property Tax	\$27,200
5)	Other Hotel Related Operating Taxes and Fees	\$30,660
7)	Non-Hotel Related Food & Beverage Sales Tax	included in hotel
7)	Employee Related Sales Tax	\$3,387
8)	Parking Revenue Tax	<u>\$0</u>
9)	<b>Total Annual</b>	<b>\$563,106</b>

**B) Employment** (Table H3)

	<u>DC Jobs</u>	<u>DC Residents</u>
10)	Hotel & Restaurant Related FTE Jobs	29 30% 9
11)	Indirect Related FTE Jobs	<u>35</u> 25% <u>9</u>
12)	<b>Total Permanent FTE Jobs</b>	<b>64 17</b>
13)	Temporary Construction FTE Jobs	70 30% 21
14)	Indirect Temporary Construction FTE Jobs	<u>93</u> 25% <u>23</u>
15)	<b>Total Base Construction FTE Jobs</b>	<b>163 44</b>

**C) Employment Related Income Tax** (Table H3)

	<u>Resident Payroll</u>	<u>DC Income Tax</u>
16)	Hotel & Restaurant Related FTE Jobs	\$336,960 \$26,957
17)	Indirect Related FTE Jobs	<u>\$342,576</u> <u>\$27,406</u>
18)	<b>Total Permanent FTE Jobs</b>	<b>\$679,536 \$54,363</b>
19)	Temporary Construction FTE Jobs	\$972,248 \$77,780
20)	Indirect Temporary Construction FTE Jobs	<u>\$1,069,472</u> <u>\$85,558</u>
21)	<b>Total Base Construction FTE Jobs</b>	<b>\$2,041,720 \$163,338</b>

**D) Potential Property Income** (Tables H4 & H5)

22)	<i>NPV to Government of Ground Lease</i>	12.00% discount <b>\$51,045</b>
23)	<i>NPV to Government of Ground Lease</i>	10.00% discount <b>\$125,667</b>
24)	<i>NPV to Government of Ground Lease</i>	8.00% discount <b>\$314,535</b>
25)	<i>Initial Property Value (investor NPV net of ground lease)</i>	18.00% discount <b>(\$2,253,427)</b>

**E) Other One-time District Revenue**

26)	Recordation Fees	\$150,000+
27)	Development Fees & Permits	\$50,000+
28)	Construction Related Sales Tax	not calculated

Source: Bolan Smart Associates

**TABLE H2: ANNUAL DIRECT LOCAL TAX REVENUE (\$2002)**  
**Franklin School - Hotel Use**

<b>Project Description</b>	Hotel Rooms	32
	Food & Beverage / Restaurant	0 (included in hotel)
	Hotel Total	53,716 gsf
	Parking	10 spaces

Building / Parking (a)			
		one hotel room	32 hotel rooms
<b>A) Real Estate Tax</b>			
1) RE Assessment (inc. initial property value)		<u>\$302,158</u>	<u>\$9,669,050</u>
2) <b>Real Estate Tax</b>	1.85% tax rate	\$5,590	<b>\$178,877</b>
<b>B) Direct Use Related Tax Revenues</b>			
3) Room Nights	75.0% occupancy	274	8,760
4) Room Revenue	\$240 average daily rate	<u>\$65,700</u>	<u>\$2,102,400</u>
5) <b>Transient Accommodations Tax</b>	10.05% tax rate (District portion)	\$6,603	<b>\$211,291</b>
6) Other Hotel Expenditures (inc. restaurant)	\$150 per occupied room night	\$41,063	\$1,314,000
7) <b>Other Hotel Guest Sales Tax</b>	8.5% tax rate (b)	\$3,490	<b>\$111,690</b>
8) Hotel Assessed Personal Property	\$25,000 FF&E per room	\$25,000	\$800,000
9) <b>Hotel Personal Property Tax</b>	\$3.40 per \$100 assessed value	\$850	<b>\$27,200</b>
10) <b>Other Hotel Related Operating Taxes &amp; Fees</b>	\$3.50 per room night (c)	\$958	<b>\$30,660</b>
<b>C) Other Direct Tax Revenues</b>			
11) Non-Hotel Related Food & Beverage Sales	\$0 per food & beverage gsf		\$0
12) <b>Non-Hotel Related Food &amp; Beverage Sales Tax</b>	9.0% (District portion)		<i>incl, in hotel</i>
13) Hotel & Restaurant Related FTE Jobs (d)		0.90	29
14) FTE Employee Expenditures Subject to Sales Tax	\$30 per FTE employee per wk.		
15) 49 weeks			
16) \$1,470 per FTE employee per yr.			\$42,336
17) <b>Employee Related Sales Tax</b>	8.0% mostly meals (b)		<b>\$3,387</b>
<b>D) Parking</b>			
18) Parking Expenditures Subject to Sales Tax	\$0 per space per day		
19) \$0 per space per yr.		\$0	\$0
20) <b>Parking Revenue Tax</b>	12.0% of gross revenue	\$0	<b>\$0</b>
<b>E) Total Direct Annual Tax Revenue</b>			<b>\$563,106</b>

Notes:

- (a) Assumes 100% net gain distributed to the District of Columbia.
- (b) Based on blend of 5.75% sales tax on general goods and services and 9.0% sales tax rate (District portion) on restaurant related sales.
- (c) Hotel operations purchases, utility and telecommunications fees, other business license fees and charges.
- (d) FTE is full time equivalent employee, assumed at 40 hours per week.

Sources: Bolan Smart Associates; Smith Travel Research; District of Columbia

**TABLE H3: EMPLOYMENT RELATED DISTRICT INCOME TAX IMPACT (\$2002)****Franklin School - Hotel Use**

	District Jobs			District Residents		
	(a) Direct <u>FTE Jobs</u>	(b) Multiplier <u>FTE Jobs</u>	Total <u>FTE Jobs</u>	Resident <u>FTE Jobs</u>	Multiplier Resident <u>FTE Jobs</u>	Total Resident <u>FTE Jobs</u>
A) Hotel & Related Operations						
1) Multipliers		122%				
2) District Residents				30%	25%	
3) Hotel & Restaurant Related FTE Jobs	29	35	64	9	9	17
4) Average Annual Income				\$39,000	\$39,000	
5) Total Annual Payroll				\$336,960	\$342,576	\$679,536
6) Average DC Income Tax Rate				<u>8.00%</u>	<u>8.00%</u>	
7) Annual DC Income Tax				\$26,957	\$27,406	\$54,363
B) Construction (1 year)						
8) Base Building Cost	\$8,102,064					
9) Direct Labor	<u>40%</u>					
10) Construction Labor Income	\$3,240,826					
11) Multipliers		132%				
12) District Residents				30%	25%	
13) Temporary Base Construction FTE Jobs	70	93	163	21	23	44
14) Average Annual Income				\$46,000	\$46,000	
15) Total Annual Payroll				\$972,248	\$1,069,472	\$2,041,720
16) Average DC Income Tax Rate				<u>8.00%</u>	<u>8.00%</u>	
17) Annual DC Income Tax				\$77,780	\$85,558	\$163,338

## Notes:

(a) FTE is full time equivalent employee, assumed at 40 hours per week. See Table 2 for computation of permanent employment.

(b) U.S. Bureau of Economic Analysis Regional Input-Output Modeling System (RIMS II) by sector for Washington, DC.

Sources: Bolan Smart Associates; US Departments of Commerce, Labor, Housing &amp; Urban Development; District of Columbia

**TABLE H4: CASH FLOW ANALYSIS (\$2002)**  
**Franklin School - Hotel Use**

Project Description			Development Costs (\$2002)						Implied Property Value					
1) Hotel Rooms	32		Base Bldg & Tenant Fit Up	\$204 / gsf	\$8,102,064				Development Cost	\$11,922,477				
2) Food & Beverage / Restaurant	incl.		Support / Attic	14,000 gsf	\$100 / gsf	\$1,400,000				\$372,577	/ room			
3) Hotel Total	53,716 gsf		Soft Costs	20.00% of base	\$1,620,413									
4)	NA rsf		Developer Fee	0.00% of base & soft	\$0									
5)	NA usf		FF&E	\$25,000 / room	\$800,000				Including Initial Property Value	\$9,669,050				
6) Parking (rev included)	10 spaces		Total Delivery Costs		\$11,922,477					\$302,158	/ room			
			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 10	Year 11	Year 25	Year 26	Year 50	
<b>A) Revenues (\$2002)</b>			2.00% CPI											
7) Room Revenue	\$240.00 / night		\$2,102,400	\$2,144,448	\$2,187,337	\$2,231,084	\$2,275,705	\$2,321,219	\$2,512,563	\$2,562,814	\$3,381,578	\$3,449,210	\$5,547,838	
8) Other Hotel & Rest. Revenue	\$150.00 / room night		<u>\$1,314,000</u>	<u>\$1,340,280</u>	<u>\$1,367,086</u>	<u>\$1,394,427</u>	<u>\$1,422,316</u>	<u>\$1,450,762</u>	<u>\$1,570,352</u>	<u>\$1,601,759</u>	<u>\$2,113,487</u>	<u>\$2,155,756</u>	<u>\$3,467,399</u>	
9) Total Gross Revenue	75.00% occupancy		\$3,416,400	\$3,484,728	\$3,554,423	\$3,625,511	\$3,698,021	\$3,771,982	\$4,082,914	\$4,164,573	\$5,495,065	\$5,604,966	\$9,015,237	
10) Revenue Per Available Room			\$293	\$298	\$304	\$310	\$317	\$323	\$350	\$357	\$470	\$480	\$772	
<b>B) Expenses (\$2002)</b>														
11) Hotel & Related Operations	78.00% of revenue		(\$2,664,792)	(\$2,718,088)	(\$2,772,450)	(\$2,827,899)	(\$2,884,457)	(\$2,942,146)	(\$3,184,673)	(\$3,248,367)	(\$4,286,151)	(\$4,371,874)	(\$7,031,885)	
12) Capital Reserves / Downtime	4.00% of revenue		<u>(\$136,656)</u>	<u>(\$139,389)</u>	<u>(\$142,177)</u>	<u>(\$145,020)</u>	<u>(\$147,921)</u>	<u>(\$150,879)</u>	<u>(\$163,317)</u>	<u>(\$166,583)</u>	<u>(\$219,803)</u>	<u>(\$224,199)</u>	<u>(\$360,609)</u>	
13) Total Expenses			<u>(\$2,801,448)</u>	<u>(\$2,857,477)</u>	<u>(\$2,914,626)</u>	<u>(\$2,972,919)</u>	<u>(\$3,032,377)</u>	<u>(\$3,093,025)</u>	<u>(\$3,347,990)</u>	<u>(\$3,414,949)</u>	<u>(\$4,505,953)</u>	<u>(\$4,596,072)</u>	<u>(\$7,392,494)</u>	
<b>C) Income Net of Financing or Ground Rent</b>			\$614,952	\$627,251	\$639,796	\$652,592	\$665,644	\$678,957	\$734,925	\$749,623	\$989,112	\$1,008,894	\$1,622,743	
14) Terminal Prop. Value (to Govt)	11.00% capitalization												\$14,752,205	
<b>D) Ground Rent</b>			0.00% of revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$14,752,205	
15) NPV to Govt	12.00% discount		<u>\$51,045</u>											
16) NPV to Govt	10.00% discount		<u>\$125,667</u>											
17) NPV to Govt	8.00% discount		<u>\$314,535</u>											
<b>E) Financing</b>														
	amort	rate	amount											
18) Debt	25	7.00%	60.00%	\$7,153,486	<u>(\$613,844)</u>	<u>(\$613,844)</u>	<u>(\$613,844)</u>	<u>(\$613,844)</u>	<u>(\$613,844)</u>	<u>(\$613,844)</u>	<u>(\$613,844)</u>	<u>(\$613,844)</u>		
19) Cash Flow Before Equity				\$1,108	\$13,407	\$25,952	\$38,748	\$51,799	\$65,112	\$121,080	\$135,779	\$375,267	\$1,008,894	\$16,374,948
20) Equity			amount											
21) Fed. Hist. Tax Cred		17.00%		\$2,026,821										
22) Required Investor Equity		23.00%		\$2,742,170										
23) Cumulative Return to Lessee				\$1,108	\$14,514	\$40,466	\$79,214	\$131,013	\$196,126	\$595,109	\$730,888	\$4,350,988	\$5,359,882	\$51,418,369
<b>F) Investor NPV Net of Ground Lease</b>														
24)	18.00% yld on equity		<u>(\$2,253,427)</u>											(initial property value)

Sources: Bolan Smart Associates; Smith Travel Research; Fetterman Associates



## **TAB 6**

## Educational Use

### Market Feasibility

- a) Former school building with intact functional floorplan.
- b) Dignified and esteemed building for educational use.
- c) Little practical outdoor space.
- d) Building neighborhood is now 100% commercial.
- e) Grade school use presumably has many alternative less costly property elsewhere. Campus use for higher education may have more specific downtown oriented merit.
- f) Assumed facility cost offset per student based on DC financial underwriting provisions.
- g) Limited on-site parking probably adequate for staff.
- h) Small size and historic features suggest higher than average operating and maintenance costs.
- i) Possible opportunistic acquisition for special institution.

### Principal Variables

Rentable Square Feet	29,500
Classrooms	10 in use of 12 possible
Delivery Cost (net of land)	\$295.00 / rsf (\$34,831 / student)
Net Facility Cost Revenue	\$1,200 /student (not including capital reserves)
Operating Costs	paid from school operations
Capital Reserves	\$1.00 / rsf
Debt	83%, 40 year amortization at 5.5%
Equity Yield Required	5.5%
Suggested District Discount Rate	12.0%
Student Computation	25 students per classroom (250 students)
Direct Job Computation	1.75 jobs / 25 students
Average Direct Job Income	\$50,000 / year
Percentage DC Resident	25.0%
Job Multiplier	75.0%
Average Multiplier Job Income	\$50,000 / year
Percentage DC Resident	25.0%

**TABLE E1: ECONOMIC IMPACT SUMMARY ( \$2002)**  
**Franklin School - Educational Use**

**A) Annual Direct Local Tax Revenues** (Table E2)

1) Real Estate Tax	\$0
2) Student Related Sales Tax	\$20,000
3) Employee Related Sales Tax	\$2,800
4) Other Use Taxes, Fees and Business Revenues	\$18,750
5) Parking Revenue Tax	<u>\$0</u>
6) <b>Total Annual</b>	<b>\$41,550</b>

**B) Employment** (Table E3)

	<u>DC Jobs</u>		<u>DC Residents</u>
7) Office Use Related FTE Jobs	18	25%	4
8) Indirect Related FTE Jobs	<u>13</u>	25%	<u>3</u>
9) <b>Total Permanent FTE Jobs</b>	<b>31</b>		<b>8</b>
10) Temporary Construction FTE Jobs	55	30%	17
11) Indirect Temporary Construction FTE Jobs	<u>73</u>	25%	<u>18</u>
12) <b>Total Base Construction FTE Jobs</b>	<b>128</b>		<b>35</b>

**C) Employment Related Income Tax** (Table E3)

	<u>Resident Payroll</u>	<u>DC Income Tax</u>
13) Office Use Related FTE Jobs	\$218,750	\$18,594
14) Indirect Related FTE Jobs	<u>\$164,063</u>	<u>\$13,945</u>
15) <b>Total Permanent FTE Jobs</b>	<b>\$382,813</b>	<b>\$32,539</b>
16) Temporary Construction FTE Jobs	\$762,547	\$61,004
17) Indirect Temporary Construction FTE Jobs	<u>\$838,802</u>	<u>\$67,104</u>
18) <b>Total Base Construction FTE Jobs</b>	<b>\$1,601,349</b>	<b>\$128,108</b>

**D) Potential Property Income** (Tables E4)

19) <b>NPV to Government of Ground Lease</b>	12.00% discount	<b>\$124,070</b>
20) <b>NPV to Government of Ground Lease</b>	10.00% discount	<b>\$178,493</b>
21) <b>NPV to Government of Ground Lease</b>	8.00% discount	<b>\$293,064</b>
22) <b>Initial Property Value (investor NPV net of ground lease)</b>	5.50% discount	<b>\$702,466</b>

**E) Other One-time District Revenue**

23) Recordation Fees	assumed exempt
24) Development Fees & Permits	assumed exempt
25) Construction Related Sales Tax	not calculated

Source: Bolan Smart Associates

**TABLE E2: ANNUAL DIRECT LOCAL TAX REVENUE (\$2002)**  
**Franklin School - Educational Use**

**Project Description**

Parking 53,716 gsf  
29,500 rsf  
250 students  
10 spaces

**A) Real Estate Tax**

- 1) RE Assessment (inc. initial property value)
- 2) ***Real Estate Tax***

**B) Other Direct Tax Revenues**

- 3) Student Related Expenditures Subject to Sales Tax
- 4)
- 5)
- 6) ***Student Related Sales Tax***
- 7) Office Use Related FTE Jobs
- 8) FTE Employee Expenditures Subject to Sales Tax
- 9)
- 10)
- 11) ***Employee Related Sales Tax***
- 12) ***Other Use Taxes, Fees and Business Revenues***

**C) Parking**

- 13) Parking Expenditures Subject to Sales Tax
- 14)
- 15) ***Parking Revenue Tax***

**D) Total Direct Annual Tax Revenue**

Building / Parking (a)		
	one rsf	29,500 rsf
	<u>\$318.99</u>	<u>\$9,410,210</u>
0.00% tax rate	assumed tax exempt	
	one student	250 students
\$25 per student per wk.		
40 weeks		
\$1,000 per student per yr.		<u>\$250,000</u>
8.0% mostly meals (c)		<b><u>\$20,000</u></b>
(b) 1.75 employs per 25 students	0.07	18
\$50 per FTE employee per wk.		
40 weeks		
\$2,000 per FTE employee per yr.		<u>\$35,000</u>
8.0% mostly meals (c)		<b><u>\$2,800</u></b>
\$75 per employee (d)	\$1,071	<b><u>\$18,750</u></b>
	one space	10 spaces
\$0 per space per day		
\$0 per space per yr.	\$0	\$0
12.0% of gross revenue	\$0	<b><u>\$0</u></b>
		<b><u>\$21,550</u></b>

Notes:

- (a) Assumes 100% net gain to the District of Columbia.
- (b) FTE is full time equivalent employee, assumed at 40 hours per week. Assumed at 1.5 staff per 25 students.
- (c) Based on blend of 5.75% sales tax on general goods and services and 9.0% sales tax rate (District portion) on restaurant related sales.
- (d) Assume \$200 per employee for private taxable corporations, \$50 for government or non-profit tenants.

Sources: Bolan Smart Associates; District of Columbia

**TABLE E3: EMPLOYMENT RELATED DISTRICT INCOME TAX IMPACT (\$2002)**  
**Franklin School - Educational Use**

District Jobs			District Residents		
(a) Direct <u>FTE Jobs</u>	(b) Multiplier <u>FTE Jobs</u>	Total <u>FTE Jobs</u>	Resident <u>FTE Jobs</u>	Multiplier Resident <u>FTE Jobs</u>	Total Resident <u>FTE Jobs</u>
<b>A) Office Use Related</b>					
1) Multipliers	75%				
2) District Residents			25%	25%	
3) Office Use Related FTE Jobs	18	13	4	3	8
4) Average Annual Income			\$50,000	\$50,000	
5) Total Annual Payroll			\$218,750	\$164,063	\$382,813
6) Average DC Income Tax Rate			<u>8.50%</u>	<u>8.50%</u>	
7) <b>Annual DC Income Tax</b>			\$18,594	\$13,945	<b>\$32,539</b>
<b>B) Construction (1 year)</b>					
8) Base Building Cost		\$6,354,560			
9) Direct Labor		<u>40%</u>			
10) Construction Labor Income		\$2,541,824			
11) Multipliers	132%				
12) District Residents			30%	25%	
13) Temporary Base Construction FTE Jobs	55	73	17	18	35
14) Average Annual Income			\$46,000	\$46,000	
15) Total Annual Payroll			\$762,547	\$838,802	\$1,601,349
16) Average DC Income Tax Rate			<u>8.00%</u>	<u>8.00%</u>	
17) <b>Annual DC Income Tax</b>			\$61,004	\$67,104	<b>\$128,108</b>

Notes:

(a) FTE is full time equivalent employee, assumed at 40 hours per week. See Table 2 for computation of permanent employment.

(b) U.S. Bureau of Economic Analysis Regional Input-Output Modeling System (RIMS II) by sector for Washington, DC.

Sources: Bolan Smart Associates; US Departments of Commerce, Labor, Housing & Urban Development; District of Columbia

**TABLE E4: CASH FLOW ANALYSIS (\$2002) - With Ground Lease  
Franklin School - Educational Use**

Project Description					Development Costs (\$2002)					Implied Property Value								
1)		53,716	gsf		Base Bldg & Tenant Fit Up	\$160	/ gsf	\$6,354,560		Development Cost	\$8,707,744							
2)	10 of 12 classrooms occupied	29,500	rsf		Support / Attic	14,000	gsf	\$1,400,000			\$162	/ gsf						
3)	25 students per classroom	250	students		Soft Costs	15.00%	of base	\$953,184			\$34,831	/ student						
4)					Developer Fee	0.00%	of base & soft	\$0		Including Initial Property Value	\$9,410,210	+ line 23, H5						
5)					FF&E	\$0	/ rsf	\$0			\$175	/ gsf						
6)	Parking (rev included)	10	spaces		Total Delivery Costs			\$8,707,744			\$319	/ rsf						
					Year 1	Year 2	Year 3	Year 4	Year 5	Year 6		Year 10	Year 11		Year 25	Year 26	±	Year 50
A) Revenues (\$2002)																		
7)	Net Facility Cost Revenue	\$1,200.00	/ student	2.00% CPI	\$300,000	\$306,000	\$312,120	\$318,362	\$324,730	\$331,224		\$358,528	\$365,698		\$482,531	\$492,182		\$791,644
8)	Vacancy / Lease Up Costs	0.00%			\$0	\$0	\$0	\$0	\$0	\$0		\$0	\$0		\$0	\$0		\$0
9)	Total Net Revenue				\$300,000	\$306,000	\$312,120	\$318,362	\$324,730	\$331,224		\$358,528	\$365,698		\$482,531	\$492,182		\$791,644
B) Expenses (\$2002)																		
10)	Operating Costs & RE Taxes	NA	/ rsf		\$0	\$0	\$0	\$0	\$0	\$0		\$0	\$0		\$0	\$0		\$0
11)	Capital Reserves	\$1.00	/ rsf		(\$29,500)	(\$30,090)	(\$30,692)	(\$31,306)	(\$31,932)	(\$32,570)		(\$35,255)	(\$35,960)		(\$47,449)	(\$48,398)		(\$77,845)
12)	Total Expenses				(\$29,500)	(\$30,090)	(\$30,692)	(\$31,306)	(\$31,932)	(\$32,570)		(\$35,255)	(\$35,960)		(\$47,449)	(\$48,398)		(\$77,845)
C) Income Net of Financing or Ground Rent					\$270,500	\$275,910	\$281,428	\$287,057	\$292,798	\$298,654		\$323,273	\$329,738		\$435,082	\$443,784		\$713,799
13)	Terminal Prop. Value (to Govt)	11.00%	capitalization															\$6,489,078
D) Ground Rent																		
		3.50%	of revenue		(\$10,500)	(\$10,710)	(\$10,924)	(\$11,143)	(\$11,366)	(\$11,593)		(\$12,548)	(\$12,799)		(\$16,889)	(\$17,226)		(\$27,708)
14)	NPV to Govt	12.00%	discount															
15)	NPV to Govt	10.00%	discount															
16)	NPV to Govt	8.00%	discount															
E) Financing																		
		amort	rate	amount														
17)	Debt	40	5.50%	83.00%	\$7,227,428	(\$450,416)	(\$450,416)	(\$450,416)	(\$450,416)	(\$450,416)		(\$450,416)	(\$450,416)		(\$450,416)			
18)	Cash Flow Before Equity					(\$190,416)	(\$185,216)	(\$179,912)	(\$174,502)	(\$168,983)	(\$163,355)	(\$139,692)	(\$133,477)		(\$32,222)	\$426,558		\$686,091
	Equity			amount														
19)	Fed. Hist. Tax Cred	17.00%		\$1,480,316														
20)	Credit Enhancement	0.00%		\$0														
21)	Additional Required Equity	0.00%		\$0														
22)	Cumulative Return to Sponsor					(\$190,416)	(\$375,632)	(\$555,543)	(\$730,045)	(\$899,028)	(\$1,062,383)	(\$1,657,230)	(\$1,790,707)		(\$2,932,516)	(\$2,505,959)		\$10,730,250
F) Sponsor NPV Net of Ground Lease																		
23)	5.50%	yld on operating capital																

Sources: Bolan Smart Associates

**TABLE E5: CASH FLOW ANALYSIS (\$2002) - Without Ground Lease**  
**Franklin School - Educational Use**

Project Description		Development Costs (\$2002)						Implied Property Value					
1)	53,716 gsf	Base Bldg & Basic Tenant Fit Up	\$160 / gsf	\$6,354,560				Development Cost	\$8,707,744				
2)	29,500 rsf	Support / Attic 14,000 gsf	\$100 / gsf	\$1,400,000					\$162 / gsf				
3)	250 students	Soft Costs	15.00% of base	\$953,184					\$295 / rsf				
4)		Developer Fee	0.00% of base & soft	\$0				Including Initial Property Value	\$9,410,210				
5)		FF&E	\$0 / rsf	\$0					\$175 / gsf				
6)	Parking (rev included) 10 spaces	Total Delivery Costs		\$8,707,744					\$319 / rsf				
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 10	Year 11	Year 25	Year 26	Year 50	
<b>A) Revenues (\$2002)</b>													
7)	Net Facility Cost Revenue 2.00% CPI \$1,200.00 / student	\$300,000	\$306,000	\$312,120	\$318,362	\$324,730	\$331,224	\$358,528	\$365,698	\$482,531	\$492,182	\$791,644	
8)	Vacancy / Lease Up Costs 0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
9)	Total Net Revenue	\$300,000	\$306,000	\$312,120	\$318,362	\$324,730	\$331,224	\$358,528	\$365,698	\$482,531	\$492,182	\$791,644	
<b>B) Expenses (\$2002)</b>													
10)	Operating Costs & RE Taxes NA / rsf	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
11)	Capital Reserves \$1.00 / rsf	(\$29,500)	(\$30,090)	(\$30,692)	(\$31,306)	(\$31,932)	(\$32,570)	(\$35,255)	(\$35,960)	(\$47,449)	(\$48,398)	(\$77,845)	
12)	Total Expenses	(\$29,500)	(\$30,090)	(\$30,692)	(\$31,306)	(\$31,932)	(\$32,570)	(\$35,255)	(\$35,960)	(\$47,449)	(\$48,398)	(\$77,845)	
<b>C) Income Net of Financing or Ground Rent</b>		\$270,500	\$275,910	\$281,428	\$287,057	\$292,798	\$298,654	\$323,273	\$329,738	\$435,082	\$443,784	\$713,799	
13)	Terminl Prop. Value (to sponso 11.00% capitalization											\$6,489,078	
<b>D) Ground Rent</b>		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
14)	NPV to Govt 12.00% discount	\$0											
15)	NPV to Govt 10.00% discount	\$0											
16)	NPV to Govt 8.00% discount	\$0											
<b>E) Financing</b>													
17)	Debt	amort 40 rate 5.50% amount 83.00%	\$7,227,428	(\$450,416)	(\$450,416)	(\$450,416)	(\$450,416)	(\$450,416)	(\$450,416)	(\$450,416)	(\$450,416)		
18)	Cash Flow Before Equity		(\$179,916)	(\$174,506)	(\$168,988)	(\$163,359)	(\$157,618)	(\$151,762)	(\$127,143)	(\$120,678)	(\$15,333)	\$443,784	\$7,202,877
Equity		amount											
19)	Federal Historic Tax Credits 17.00%	\$1,480,316											
20)	Credit Enhancement 0.00%	\$0											
21)	Additional Required Equity 0.00%	\$0											
22)	Cumulative Return to Sponsor		(\$179,916)	(\$354,422)	(\$523,409)	(\$686,768)	(\$844,386)	(\$996,148)	(\$1,542,258)	(\$1,662,936)	(\$2,596,198)	(\$2,152,414)	\$18,107,412
<b>F) Sponsor NPV Net of Ground Lease</b>													
23)	5.50% yld on operating capital	\$702,466											

Sources: Bolan Smart Associates

**TAB 7**



## Cultural Use

### Market Feasibility

- a) Highly visible and accessible location.
- b) Unique historic character.
- c) Signature building stature, stand-alone identity and control.
- d) Virtually no comparably constructed or sized building otherwise available downtown.
- e) Located in neither an arts or historic district.
- f) Size may be too small, too big, or just right?
- g) Space efficiency, operating and maintenance costs typical for building cultural use building.
- h) Limited on-site parking not an issue.
- i) Many undetermined factors limit ability to project possible property income.
- m) Possible opportunistic acquisition for price premium by one-of-a-kind single user.

### Principal Variables

Rentable Square Feet	29,500
Delivery Cost (net of land)	\$465 / rsf (including \$100 / rsf exhibit cost)
Patronage	350 visits / day
Admission Revenue / Donations	\$8.00 / visit
Add on Sales	\$3.75 / visit
Operating Costs (including staff)	\$20.00 / rsf
Cost of Add on Sales	65% of sales
Capital Reserves	\$3.50 / rsf
Debt	83%, 25 year amortization at 5.5%
Equity Yield Required	5.5%
Suggested District Discount Rate	12.0%
Direct Job Computation	1.0 job / 2,259 rsf
Average Direct Job Income	\$45,000 / year
Percentage DC Resident	20.0%
Job Multiplier	200.0%
Average Multiplier Job Income	\$45,000 / year
Percentage DC Resident	25.0%
Patron Related Net Room Nights	5% of visits
Room Rate	\$150.00 / night
Other Additional Expenditures	\$75.00 / night
Other General Patron Sales	\$5.00 / visit (not at project)

**TABLE C1: ECONOMIC IMPACT SUMMARY ( \$2002)**  
**Franklin School - Cultural Use**

**A) Annual Direct Local Tax Revenues (Table C2)**

1)	Real Estate Tax	\$0
2)	On-site Patron Related Sales Tax	\$33,534
3)	Employee Related Sales Tax	\$2,056
4)	Other Use Taxes, Fees and Business Revenues	\$590
5)	Additional Overnight Stay Related (Table C5)	\$208,806
6)	Other Patron Related Sales Tax (Table C5)	\$0
7)	Parking Revenue Tax	<u>\$0</u>
8)	<b>Total Annual</b>	<b>\$244,986</b>

**B) Employment (Table C3)**

	<u>DC Jobs</u>		<u>DC Residents</u>
9)	Cultural Use Related FTE Jobs	13	20% 3
10)	Indirect Related FTE Jobs	<u>26</u>	25% <u>7</u>
11)	<b>Total Permanent FTE Jobs</b>	<b>39</b>	<b>9</b>
12)	Temporary Construction FTE Jobs	71	30% 21
13)	Indirect Temporary Construction FTE Jobs	<u>93</u>	25% <u>23</u>
14)	<b>Total Base Construction FTE Jobs</b>	<b>164</b>	<b>45</b>

**C) Employment Related Income Tax (Table C3)**

	<u>Resident Payroll</u>	<u>DC Income Tax</u>
15)	Cultural Use Related FTE Jobs	\$118,000 \$9,440
16)	Indirect Related FTE Jobs	<u>\$295,000</u> <u>\$23,600</u>
17)	<b>Total Permanent FTE Jobs</b>	<b>\$413,000</b> <b>\$33,040</b>
18)	Temporary Construction FTE Jobs	\$977,014 \$78,161
19)	Indirect Temporary Construction FTE Jobs	<u>\$1,074,715</u> <u>\$85,977</u>
20)	<b>Total Base Construction FTE Jobs</b>	<b>\$2,051,729</b> <b>\$164,138</b>

**D) Potential Property Income (Tables C4)**

21)	<i>NPV to Government of Ground Lease</i>	12.00% discount	<b>\$36,791</b>
22)	<i>NPV to Government of Ground Lease</i>	10.00% discount	<b>\$92,223</b>
23)	<i>NPV to Government of Ground Lease</i>	8.00% discount	<b>\$235,101</b>
24)	<i>Initial Property Value (investor NPV net of ground lease)</i>	5.50% discount	<b>\$176,416</b>

**F) Other One-time District Revenue**

25)	Recordation Fees	assumed exempt
26)	Development Fees & Permits	assumed exempt
27)	Construction Related Sales Tax	not calculated

Source: Bolan Smart Associates

**TABLE C2: ANNUAL DIRECT LOCAL TAX REVENUE (\$2002)**  
**Franklin School - Cultural Use**

**Project Description**

53,716 gsf  
 29,500 rsf  
 NA usf  
 Parking 10 spaces

**A) Real Estate Tax**

- 1) RE Assessment (inc. initial property value)
- 2) **Real Estate Tax**

**B) Other Direct Tax Revenues**

- 3) Attraction Ticket Sales
- 4) Add on Sales
- 5) **On-site Patron Related Sales Tax**
- 6) Cultural Use Related FTE Jobs
- 7) FTE Employee Expenditures Subject to Sales Tax
- 8)
- 9)
- 10) **Employee Related Sales Tax**
- 11) **Other Use Taxes, Fees and Business Revenues**

(b)

**C) Parking**

- 12) Parking Expenditures Subject to Sales Tax
- 13)
- 14) **Parking Revenue Tax**

**D) Total Direct Annual Tax Revenue**

Building / Parking (a)		
	one rsf	29,500 rsf
	assumed tax exempt	
	one rsf	29,500 rsf
	assumed tax exempt	
		<u>\$479,063</u>
7.0% tax rate (c)		<b>\$33,534</b>
2,250 rsf per employee	0.0004	13
\$40 per FTE employee per wk.		
49 weeks		
\$1,960 per FTE employee per yr.		<u>\$25,698</u>
8.0% mostly meals (c)		<b>\$2,056</b>
\$50 per employee (d)	\$0.02	<b>\$590</b>
	one space	10 spaces
\$0 per space per day		
\$0 per space per yr.	\$0	\$0
12.0% of gross revenue	\$0	<u>\$0</u>
		<b>\$36,180.20</b>

Notes:

- (a) Assumes 100% net gain to the District of Columbia.
- (b) FTE is full time equivalent employee, assumed at 40 hours per week.
- (c) Based on blend of 5.75% sales tax on general goods and services and 9.0% sales tax rate (District portion) on restaurant related sales.
- (d) Assume \$200 per employee for private taxable corporations, \$50 for government or non-profit tenants.

Sources: Bolan Smart Associates; District of Columbia

**TABLE C3: EMPLOYMENT RELATED DISTRICT INCOME TAX IMPACT (\$2002)**  
**Franklin School - Cultural Use**

District Jobs				District Residents		
(a) Direct <u>FTE Jobs</u>	(b) Multiplier <u>FTE Jobs</u>	Total <u>FTE Jobs</u>		Resident <u>FTE Jobs</u>	Multiplier Resident <u>FTE Jobs</u>	Total Resident <u>FTE Jobs</u>
<b>A) Office Use Related</b>						
1) Multipliers	200%					
2) District Residents				20%	25%	
3) Cultural Use Related FTE Jobs	13	26	39	3	7	9
4) Average Annual Income				\$45,000	\$45,000	
5) Total Annual Payroll				\$118,000	\$295,000	\$413,000
6) Average DC Income Tax Rate				<u>8.00%</u>	<u>8.00%</u>	
7) <b>Annual DC Income Tax</b>				\$9,440	\$23,600	<b>\$33,040</b>
<b>B) Construction (1 year)</b>						
8) Base Building Cost			\$8,141,780			
9) Direct Labor			<u>40%</u>			
10) Construction Labor Income			\$3,256,712			
11) Multipliers	132%					
12) District Residents				30%	25%	
13) Temporary Base Construction FTE Jobs	71	93	164	21	23	45
14) Average Annual Income				\$46,000	\$46,000	
15) Total Annual Payroll				\$977,014	\$1,074,715	\$2,051,729
16) Average DC Income Tax Rate				<u>8.00%</u>	<u>8.00%</u>	
17) <b>Annual DC Income Tax</b>				\$78,161	\$85,977	<b>\$164,138</b>

Notes:

(a) FTE is full time equivalent employee, assumed at 40 hours per week. See Table 2 for computation of permanent employment.

(b) U.S. Bureau of Economic Analysis Regional Input-Output Modeling System (RIMS II) by sector for Washington, DC.

Sources: Bolan Smart Associates; US Departments of Commerce, Labor, Housing & Urban Development; District of Columbia

**TABLE C4: CASH FLOW ANALYSIS (\$2002) - With Ground Lease**  
**Franklin School - Cultural Use**

Project Description				Development Costs (\$2002)				Implied Property Value											
1)	53,716	gsf		Base Bldg & Tenant Fit Up	\$205 / gsf	\$8,141,780		Development Cost	\$13,713,047										
2)	29,500	rsf		Support / Attic	14,000 gsf	\$100 / gsf	\$1,400,000		\$255 / gsf										
3)	NA	usf		Soft Costs	15.00% of base	\$1,221,267			\$465 / rsf										
4) Patronage	350	visits / day		Developer Fee	0.00% of base & soft	\$0		Including Initial Property Value	\$13,889,463	+ line 24									
5)	127,750	visits / year		Exhibit Cost	\$100 / rsf	<u>\$2,950,000</u>			\$471 / apt. rsf										
6) Parking (rev included)	10	spaces		Total Delivery Costs		\$13,713,047													
				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6		Year 10	Year 11		Year 25	Year 26	:	Year 50		
<b>A) Revenues (\$2002)</b>				2.00% CPI															
7) Revenue	\$8.00 / visit			\$1,022,000	\$1,042,440	\$1,063,289	\$1,084,555	\$1,106,246	\$1,128,371		\$1,221,385	\$1,245,812		\$1,643,823	\$1,676,699		\$2,696,866		
8) Add on Sales	<u>\$3.75 / visit</u>			<u>\$479,063</u>	<u>\$488,644</u>	<u>\$498,417</u>	<u>\$508,385</u>	<u>\$518,553</u>	<u>\$528,924</u>		<u>\$572,524</u>	<u>\$583,975</u>		<u>\$770,542</u>	<u>\$785,953</u>		<u>\$1,264,156</u>		
9) Total Gross Revenue	\$11.75 / visit			\$1,501,063	\$1,531,084	\$1,561,705	\$1,592,940	\$1,624,798	\$1,657,294		\$1,793,909	\$1,829,787		\$2,414,365	\$2,462,652		\$3,961,021		
<b>B) Expenses (\$2002)</b>																			
10) Operating Costs (inc. staff)	\$20.00 / rsf			(\$590,000)	(\$601,800)	(\$613,836)	(\$626,113)	(\$638,635)	(\$651,408)		(\$705,105)	(\$719,207)		(\$948,978)	(\$967,958)		(\$1,556,899)		
11) Cost of Add on Sales	65.00% of sales			(\$311,391)	(\$317,618)	(\$323,971)	(\$330,450)	(\$337,059)	(\$343,800)		(\$372,141)	(\$379,583)		(\$500,852)	(\$510,869)		(\$821,701)		
12) Capital Reserves	\$3.50 / rsf			<u>(\$103,250)</u>	<u>(\$105,315)</u>	<u>(\$107,421)</u>	<u>(\$109,570)</u>	<u>(\$111,761)</u>	<u>(\$113,996)</u>		<u>(\$123,393)</u>	<u>(\$125,861)</u>		<u>(\$166,071)</u>	<u>(\$169,393)</u>		<u>(\$272,457)</u>		
13) Total Expenses				<u>(\$1,004,641)</u>	<u>(\$1,024,733)</u>	<u>(\$1,045,228)</u>	<u>(\$1,066,133)</u>	<u>(\$1,087,455)</u>	<u>(\$1,109,204)</u>		<u>(\$1,200,639)</u>	<u>(\$1,224,651)</u>		<u>(\$1,615,901)</u>	<u>(\$1,648,219)</u>		<u>(\$2,651,058)</u>		
<b>C) Income Net of Financing or Ground Rent</b>				\$496,422	\$506,350	\$516,477	\$526,807	\$537,343	\$548,090		\$593,270	\$605,135		\$798,463	\$814,433		\$1,309,964		
14) Terminal Prop. Value (to Govt)	11.00% capitalization																\$11,908,763		
<b>D) Ground Rent</b>				0.00% of revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0	\$0		\$0		
15) <i>NPV to Govt</i>	12.00%	discount	<table border="1"><tr><td><b>\$36,791</b></td></tr></table>	<b>\$36,791</b>															
<b>\$36,791</b>																			
16) <i>NPV to Govt</i>	10.00%	discount	<table border="1"><tr><td><b>\$92,223</b></td></tr></table>	<b>\$92,223</b>															
<b>\$92,223</b>																			
17) <i>NPV to Govt</i>	8.00%	discount	<table border="1"><tr><td><b>\$235,101</b></td></tr></table>	<b>\$235,101</b>															
<b>\$235,101</b>																			
<b>E) Financing</b>																			
	<u>amort</u>	<u>rate</u>	<u>amount</u>																
18) Debt	25	5.50%	83.00%	\$11,381,829	<u>(\$848,508)</u>	<u>(\$848,508)</u>	<u>(\$848,508)</u>	<u>(\$848,508)</u>	<u>(\$848,508)</u>	<u>(\$848,508)</u>	<u>(\$848,508)</u>	<u>(\$848,508)</u>		<u>(\$848,508)</u>					
19) Cash Flow Before Equity					(\$352,086)	(\$342,158)	(\$332,031)	(\$321,701)	(\$311,165)	(\$300,418)		(\$255,238)	(\$243,372)		(\$50,045)	\$814,433	\$1,309,964		
20) Equity			<u>amount</u>																
21) Fed. Hist. Tax Cred		17.00%	\$2,331,218																
22) Required Investor Equity		0.00%	\$0																
23) Cumulative Return to Sponsor					(\$352,086)	(\$694,244)	(\$1,026,274)	(\$1,347,976)	(\$1,659,141)	(\$1,959,559)		(\$3,049,399)	(\$3,292,771)		(\$5,312,158)	(\$4,497,726)	\$20,774,365		
<b>F) Sponsor NPV Net of Ground Lease</b>																			
24)	5.50%	yld on operating capital	<table border="1"><tr><td><b>\$176,416</b></td></tr></table>	<b>\$176,416</b>															
<b>\$176,416</b>																			

Sources: Bolan Smart Associates; Fetterman Associates

**TABLE C5: OTHER PATRON RELATED LOCAL TAX REVENUE (\$2002)**  
**Franklin School - Cultural Use - Hotel and Retail Related Sales**

<b>Project Description</b>	Patron Visits	127,750
	Induced Additional Hotel Stays	5.0% of patron visits
	Induced Hotel Room Demand	13.13 rooms

Building / Parking (a)			
	one hotel room	13.125 hotel rooms	
<b>A) Hotel Related Real Estate Tax</b>			
1) RE Assessment	\$180,000	\$2,362,500	
2) <i>Real Estate Tax</i>	1.85% tax rate	\$3,330	<b>\$43,706</b>
<b>B) Other Hotel Related Tax Revenues</b>	one hotel room	13.125 hotel rooms	
3) Room Nights	5.0% net new DC visits / added overnights	6,388	
4) Room Revenue	\$150 average daily rate	\$958,125	
5) <i>Transient Accommodations Tax</i>	10.05% tax rate	\$96,292	
6) Other Hotel Expenditures (inc. restaurant)	\$75 per occupied room night	\$479,063	
7) <i>Other Hotel Guest Sales Tax</i>	8.5% tax rate (b)	\$40,720	
8) Hotel Assessed Personal Property	\$20,000 FF&E per room	\$20,000	\$262,500
9) <i>Hotel Personal Property Tax</i>	\$3.40 per \$100 assessed value	\$680	\$8,925
10) <i>Other Hotel Related Operating Taxes &amp; Fees</i>	\$3.00 per room night (c)		<b>\$19,163</b>
<b>C) Other Patron Related Retail Tax Revenues</b>	one patron visit	127,750 patron visits	
11) Other Retail Expenditures Subject to Sales Tax	\$0.00	\$0	
12) <i>Other Patron Related Sales Tax</i>	8.0% mostly meals (b)		<b>\$0</b>
<b>D) Parking</b>	one space	0 spaces	
13) Parking Expenditures Subject to Sales Tax	\$0 per space per day		
14)	\$0 per space per yr.	\$0	\$0
15) <i>Parking Revenue Tax</i>	12.0% of gross revenue	\$0	<b>\$0</b>
<b>E) Total Induced Indirect Annual Tax Revenue</b>			<b>\$208,806</b>

Notes:

- (a) Assumes 100% net gain distributed to the District of Columbia.
- (b) Based on blend of 5.75% sales tax on general goods and services and 9.0% sales tax rate (District portion) on restaurant related sales.
- (c) Hotel operations purchases, utility and telecommunications fees, other business license fees and charges.
- (d) FTE is full time equivalent employee, assumed at 40 hours per week.

Sources: Bolan Smart Associates; Smith Travel Research; District of Columbia